Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
The Effect of Foreign Mobile Termination Rates	)	
On U.S. Customers	)	IB Docket No. 04-398

COMMENTS OF AT&T CORP.

Leonard J. Cali
Lawrence J. Lafaro
James J. R. Talbot

1120 20th Street, N.W.
Washington, D.C. 20036
(202) 457-2131

Dated: January 14, 2005.

EXECUTIVE SUMMARY

AT&T welcomes this Notice of Inquiry on the most important international policy issue now facing the Commission. With global telephony now predominately mobile or poised to become so, the unreasonably high termination rates imposed by foreign mobile network operators in many countries are fast-eroding the hard-won benefits of the Commission's highly successful international settlement rate benchmarks. Because these markets are unable to provide competitive discipline of termination rates, many U.S. consumers are once again paying artificially high prices for international calls in order to subsidize foreign carriers. The Commission should take immediate action to address this issue by commencing a rulemaking to establish new benchmarks for mobile termination. AT&T's revised tariffed components price ("R-TCP") study filed with the Commission in February 2004 demonstrates the patently excessive nature of mobile termination rates in many countries and provides a fair and reasonable mobile benchmark methodology.

The number of global mobile subscribers overtook the number of global fixed subscribers in 2002, and the rapid growth in worldwide mobile subscribership is projected to continue. U.S. international calling reflects this trend. On many routes, the majority of U.S. international calls now terminate on mobile rather than fixed networks. Indeed, in 48 countries, over half of AT&T's international traffic requires mobile rather than fixed termination, and in some countries the proportions of AT&T's international traffic terminating on mobile networks is much higher. At the same time, a fast-increasing number of foreign carriers are instituting separate higher rates for mobile-terminated calls. AT&T paid higher rates for mobile-terminated calls to carriers in 30 countries in 2001, but must pay those higher rates to carriers in 153 countries today.

Most of these special mobile termination charges are set at unreasonably high levels. In 58 countries, mobile rates exceed the rates paid to terminate calls on fixed networks by 10 cents or more (more than twice the foreign mobile cost-ceiling shown by AT&T's R-TCP study). In 40 countries, they exceed fixed rates by fifteen cents or more, and in over 20 countries they exceed fixed rates by twenty cents or more. On many liberalized routes, AT&T now pays under 2 cents to terminate international traffic on fixed networks, but may pay up to sixteen times the fixed rate to terminate traffic on foreign mobile networks. Whether foreign mobile termination rates are compared to foreign fixed termination rates (where they are eight times higher in the European Union, according to the most recent European Commission report), or whether they are compared to fixed to mobile interconnection rates in the United States (which are "comparatively negligible at $0.005 per minute," according to this Commission's eighth annual report on CMRS market conditions), it is abundantly clear these rates are set far above any reasonable measure of cost. Of course, the net payers of these charges are U.S. carriers (and their retail customers) – who impose no reciprocal surcharges in return.

The beneficiaries of these high rates are most often affiliates of the largest foreign fixed-network carriers. According to one analyst, "[v]irtually all major incumbents worldwide (including the former government-controlled PTT administrations) view mobile as a must-have domestic position, essentially as a revenue substitution for fixed line." This is further supported by AT&T's affiliate study (Attachment A), which shows that, in countries where AT&T pays higher mobile rates, the large majority of the carriers designated by the Commission as having market power have mobile affiliates. Similarly, the large majority of the foreign carriers with which AT&T has direct, bilateral relationships and that charge higher rates for mobile calls have mobile affiliates. Moreover, in many cases, the mobile affiliates of dominant fixed carriers set

the standard, *i.e.*, a pricing umbrella, for mobile rates in the marketplace.

There is no prospect that competitive market forces will reduce these high rates. As many foreign regulators have found, and as this Commission stated in describing that "widely accepted explanation" in its eighth annual report on CMRS market conditions, the "Calling Party Pays" ("CPP") regime for mobile networks that is used in virtually all countries outside the U.S. and Canada "confers a form of market power on mobile operators with regard to the setting of mobile termination charges." The root of the problem is that foreign mobile termination services and foreign mobile subscription services are purchased by *different* customers. This Commission reached very similar conclusions in adopting CLEC access charge benchmarks. Specifically, "the party causing the costs – the end user that chooses the high priced LEC [or foreign mobile carrier] – has no incentive to minimize costs. Accordingly, CLECs [and foreign mobile carriers] can impose high access charges without creating the need to shop for a lower-priced access provider."[1] The resulting high rates distort competition, artificially inflate the prices paid by U.S. consumers making calls to foreign mobile networks and generate huge settlements outpayments, as well as causing other significant inefficiencies.

This global issue cannot be addressed adequately by relying on foreign regulators to take appropriate corrective action. Appendix B to the Notice identifies only sixteen countries as pursuing any action on foreign mobile rates. Although a few other countries are also taking some action, the very large majority of countries with mobile termination rates are doing nothing at all. And even the few countries that have addressed the issue generally have failed to adopt sufficient

---

[1] *Access Charge Reform*, Seventh Report and Order and Further Notice of Proposed Rulemaking, 6 FCC Rcd. 9923, ¶ 31 (2001) (*"CLEC Access Charge Reform Order"*).

remedies. Only one country has reduced rates to the level shown by AT&T's R-TCP study, and less than a handful have reduced rates even to twice this level.

Despite the efforts of the Commission and the Executive Branch to draw attention to this issue and the efforts of foreign regulators, U.S. carriers and their customers continue to pay unreasonably high mobile termination rates in a growing list of countries. The Commission adopted the existing settlement rate benchmarks in very similar circumstances in 1997, after years of unsuccessful efforts to reduce high settlement rates by other means, and over the strong opposition of foreign carriers and governments. Seven years later, most fixed traffic is terminated well below those benchmarks. Because of the market power of foreign mobile carriers over termination on their networks, meaningful reductions in foreign mobile termination rates also will be obtained only through the establishment and enforcement of benchmark rates.

The longstanding policy of the Commission is that settlement rates should be based on the incremental costs incurred by the carrier to terminate that traffic. That policy applies to mobile-terminated international calls no differently than to other international calls, and belies foreign mobile carrier claims that they should be allowed to recover their domestic billing, marketing, infrastructure and other non-cost-based charges from U.S. consumers through artificially-inflated termination charges. As the Commission found with international settlement rate benchmarks in 1997 and CLEC access charge benchmarks in 2001, such cost-shifting is inefficient and unjust. The Commission also emphasized in its March 30, 2004 *International Settlements Policy Reform Order* that "where rates for foreign mobile termination applied to U.S.-international traffic are excessively high, they should move towards cost."[2]

---

[2] *International Settlements Policy Reform*, First Report and Order, 19 FCC Rcd. 5709, ¶ 91

(Footnote continued on next page)

AT&T's R-TCP study uses the same three ITU-recognized network components for international call termination that were used by the *Benchmarks Order*. The mobile national extension component of the study is based on foreign mobile carriers domestic retail rates for mobile to mobile on-net calls. This tariff-based approach is similar to the original TCP methodology and is also similar to the tariff-based cost modeling approach upheld by the WTO panel in the recent U.S.-Mexico telecom case. Additionally, Ovum has recommended the use of half of a fully competitive mobile on-net call rate as providing a reasonable "market proxy" for cost-based rates. Thus, because, fully competitive mobile markets do not exist in any of the 65 countries used in the R-TCP study, using half of existing on-net mobile rates is likely to overstate efficient charge levels. As the D.C. Circuit has affirmed, the Commission may use a reasonable methodology to approximate cost-based rates in the absence of the necessary foreign carrier data, and the R-TCP study provides this approach.

AT&T urges the Commission to take immediate steps to reduce these unreasonable, above-cost charges by commencing a rulemaking to establish new international settlement rate benchmarks for mobile termination based on the R-TCP study.

(Footnote continued from previous page)

(2004) ("*ISP Reform Order*").

TABLE OF CONTENTS

TABLE OF CONTENTS (cont'd.)

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of	)	
	)	
The Effect of Foreign Mobile Termination Rates	)	
On U.S. Customers	)	IB Docket No. 04-398

COMMENTS OF AT&T CORP.

AT&T Corp. ("AT&T") hereby submits its Comments in response to the Commission's Notice of Inquiry on the effect of foreign mobile termination rates on U.S. customers.[3]

I. HIGH FOREIGN MOBILE TERMINATION RATES ARE ERODING THE BENEFITS OF THE COMMISSION'S BENCHMARKS POLICIES.

The Notice (¶ 13) asks whether the significant global increase in mobile telephony and high foreign mobile termination rates are now adversely impacting the benefits of lower termination rates and U.S. calling prices achieved by the Commission's benchmark policies. The simple answer is "yes." ITU data show that mobile subscribership is both huge and growing throughout the world. U.S. international calling reflects these trends: on almost fifty international routes, at least half of AT&T's international traffic is now terminated on mobile networks. At the same time, in an ever-growing list of countries – currently 153 – AT&T must pay rates that exceed already generous fixed line rates to terminate this mobile traffic. In 58 countries, AT&T's additional rates for this mobile termination are 10 cents or more per minute.

---

[3] *Foreign Mobile Termination Rates on US Customers,* Notice of Inquiry, IB Docket No. 04-398, 2004 WL 2387076 (FCC), (rel. Oct. 26, 2004) ("Notice").

In 40 countries, these additional rates exceed fixed rates by fifteen cents or more. In over 20 countries, AT&T pays additional rates of 20 cents or more.

The beneficiaries of these huge and growing U.S. consumer subsidies include many former incumbent PTTs forced by market liberalization and the Commission's benchmarks policies to reduce their fixed call termination rates, which now recoup those lost settlements revenues through high termination surcharges collected by their affiliated mobile networks.

1. U.S. Carriers Must Pay Higher Rates For Mobile Termination on an Increasing Number of International Routes.

AT&T is now required to pay higher rates for international calls on terminating on mobile networks in 153 countries. As shown in Attachment B to these Comments (Countries Where AT&T Pays Higher Rates for Mobile Termination), AT&T paid these higher rates in fewer than 30 countries in February 2001. Today, additional payments for mobile-terminated calls are required on three out of four international routes, including countries in every region of the world.

These charges typically are set at excessively high levels – clearly exceeding any reasonable measure of cost. AT&T pays mobile rates that exceed fixed rates by 10 cents or more per minute in 58 countries, including 22 countries in Western Europe, 11 countries in Eastern Europe, 13 countries in the Caribbean and Central and Latin America, 5 countries in the Asia-Pacific region, and 7 countries in Africa. In 40 countries, AT&T pays mobile rates that exceed fixed rates by 15 cents or more. Indeed, in over 20 countries, AT&T pays additional rates of 20 cents or more. Moreover, these additional rates are required although international calls terminating on foreign mobile networks avoid some of the costs incurred to terminate

international calls on foreign fixed networks – by definition, no local fixed network termination is required when a call terminates on a mobile network.

These high mobile rates are forcing huge and growing U.S. consumer-paid subsidies of foreign carriers. As shown in Section VI below, AT&T's revised tariffed components price ("R-TCP") study filed with the Commission in February 2004 demonstrates that the maximum cost of foreign in-country mobile network termination cannot be, on average, higher than *5 cents*, and that the maximum additional cost to terminate this traffic (*i.e.*, in addition to the base fees paid to terminate calls on foreign fixed networks) is on average no higher than *4 cents*.[4]

The wide discrepancy between fixed and mobile termination rates also demonstrates the excessive nature of many mobile rates.[5] The most recent EU Implementation Report acknowledges that fixed-to-mobile termination charges in many EU Member States remain on

---

[4] As described below, AT&T terminates most international calls to foreign mobile networks through its foreign international correspondent carriers, which charge rates for those calls that cover international transmission, international switching and domestic transport in the foreign country in addition to termination on the foreign mobile network. AT&T's R-TCP study therefore includes the costs of all these different network components. In contrast, the rates charged by foreign mobile operators cover only termination on their networks and therefore should not be compared with the total costs shown by AT&T's R-TCP study. Instead, the rates charged by foreign mobile operators are properly compared to the mobile national extension component of AT&T's mobile R-TCP study, which shows a 65-country average of about 5 cents. However, any calculation of the *additional* costs of terminating calls on foreign mobile networks beyond the costs already covered by the fees paid to foreign international carriers for fixed network calls must first subtract the cost of termination on the foreign local fixed network. To make allowance for these fixed termination costs that are included in the fees paid for fixed network calls but that are not incurred for mobile termination, the fixed national extension component of AT&T's R-TCP study (approximately 1 cent on average) should be subtracted from the 65-country 5-cent average, resulting in an additional mobile cost of about 4 cents.

[5] *See also*, Rogerson, *Mobile Termination Rates*, Ovum, Jan. 2004 ("*Ovum Report*"), at 8 (noting that the disparity between fixed and mobile rates demonstrates the excessive nature of the mobile rates).

average eight times higher than the average fixed-to-fixed termination charge.[6] International call termination rates show even greater discrepancies. Termination rates for international calls terminating on foreign mobile networks are many multiples higher than rates for termination on foreign fixed networks, which have been reduced toward cost-based levels in many countries by the global liberalization encouraged by the WTO Basic Telecommunications Agreement and the Commission's benchmarks policies.[7] AT&T pays under 2 cents for fixed network calls on many liberalized routes, but may pay up to fifteen times the fixed rate to terminate mobile traffic on the same route.

The extent to which the rates charged by foreign mobile carriers for fixed-to-mobile interconnection exceed cost-based levels is shown by comparing those foreign rates to fixed-to-mobile interconnection rates in the United States, which are based on forward-looking economic cost ("FLEC").[8] The Commission made this very comparison in its eighth annual CMRS report, and noted that "mobile termination rates in the United States are comparatively negligible at $0.005 per minute, about the same as the average rates for terminating traffic on fixed

---

[6] Commission of the European Communities, *European Electronic Communications Regulation and Markets 2004 (10th Report)*, Commission Staff Working Paper, Vol 1. ("*EU 10th Implementation Report*"), at 65.

[7] Average U.S. international settlement rates fell from 35 cents to 11 cents from 1997 to 2002. *ISP Reform Order*, ¶ 72.

[8] Under Commission rules, a CMRS carrier "is compensated at the LEC's FLEC-based rate, which is used as a presumptive proxy for the CMRS carrier's own termination costs, unless the CMRS carrier submits a forward-looking economic study to rebut this presumptive symmetrical rate." *Developing a Unified Intercarrier Compensation Regime*, Notice of Proposed Rulemaking, 16 FCC Rcd. 9610, ¶ 92 (2001) *citing Local Competition Provisions of the Telecommunications Act of 1996,* First Report and Order, 11 FCC Rcd. 15499, ¶¶ 1085, 1089 (1996) (*"Local Competition Order"*). *See also*, 47 C.F.R. Sect. 51.711.

networks."[9] In contrast, the European Commission reports average fixed-to-mobile interconnection charges for 2004 in the pre-expansion fifteen countries of the European Union of 14.76 Eurocents, or $0.1961, per minute – more than thirty-nine times higher than U.S. rates.

The very high level of foreign mobile termination rates, together with the increasing share of U.S. international calls that now terminate on foreign mobile networks, is undermining the Commission's longstanding policy of reducing settlements to cost-based levels.[10]

2. Global Mobile Subscribership is Already High and Its Growth Will Continue.

A key underlying factor behind the proliferation of high mobile rates is the worldwide growth in mobile subscribership that is projected to continue for the foreseeable future. According to the Probe Group, the total number of global wireless subscribers grew from 740 million in 2000 to approximately 1.5 billion in 2004 and will grow to more than 2 billion by

---

[9] *Implementation of Section 6002(b) of the Omnibus Budget Reconciliation Act of 1993, Annual Report and Analysis of Competitive Market Conditions With Respect to Commercial Mobile Services*, Eight Report18 FCC Rcd 14783, ¶ 207, (rel. July 14, 2003) ("*Eighth CMRS Report*").

[10] *See, e.g ., Regulation of International Accounting Rates*, Report and Order, 6 FCC Rcd. 3552, ¶ 3 (1991) (The International Settlements Policy seeks to encourage "lower, more economically efficient, cost-based international accounting rates"); *1998 Biennial Regulatory Review, Reform of the International Settlements Policy and Associated Filing Requirements,* Report and Order and Order on Reconsideration, 14 FCC Rcd. 7963, ¶ 9 (1999) (authorizing rejection of agreements not serving "the public interest in achieving cost-based … rates"); *International Settlement Rates*, Report and Order, 12 FCC Rcd. 19,806, ¶ 101, n.176 (1997) ("*Benchmarks Order*") ("We reiterate that our goal is ultimately to achieve settlement rates that are cost-based."); *Policy Statement on International Accounting Rate Reform*, 11 FCC Rcd. 3146, ¶ 10 (describing Commission actions in pursuit of "our goal of cost-based accounting rates").

2007.[11] A recent ITU report states that in a "historic turning point in the history of telephony," the total number of global mobile subscribers overtook total fixed network subscribers in 2002.[12]

The Commission's annual reports on mobile services describe the very high levels of mobile penetration in much of the developed world. *Average* mobile penetration in Western Europe is estimated at 87 percent in 2003, while several countries, including Italy, Greece, and Sweden had *99 percent* mobile penetration.[13] Two countries, Portugal and Taiwan reported mobile penetration above-100 percent.[14] The Commission also reports high levels of mobile penetration in South Korea (70 percent), Australia (78 percent) and Japan (67 percent).[15]

The number of mobile subscribers in other countries is also growing rapidly. ITU data show 269 million mobile subscribers in China in 2003, 46 million in Brazil, 27 million in Mexico and 15 million in the Philippines.[16] Indeed, ITU data show that the overwhelming majority of telephone subscribers in many developing countries are now mobile subscribers. For example, 67 percent of all telephone subscribers in Africa are now mobile subscribers. In sixteen African countries, more than 80 percent of telephone subscribers are mobile subscribers.[17]

---

[11] Probe Group LLC, *Worldwide Mobile Carriers*, June 2004, at 4.

[12] ITU, *Mobile Overtakes Fixed: Implications for Policy and Regulation* (2003) ("*ITU Report*"), at 4.

[13] *Implementation of section 6002(b) of the Omnibus Budget Reconciliation Act of 1993, Annual Report and Analysis of Competitive Market Conditions With Respect to Commercial Mobile Services*, Ninth Report, WT Docket No. 04-111, 2004 WL 2173485 (FCC), at ¶ 199, (rel. Sept. 28, 2004).

[14] *Id*, at ¶ 200.

[15] *Id.*

[16] ITU world cellular mobile subscriber data (2004).

[17] *Id.*

As global telephony has become predominately mobile, international calling has followed. *Telegeography* reports that 25 percent of total international traffic terminated on mobile rather than fixed networks in 2003.[18] A similar proportion of U.S.-outbound international calls are now made to foreign mobile phones. Approximately 23 percent of AT&T's international calls are now terminated on foreign mobile networks. However, because of the above-cost surcharges that inflate foreign carrier rates for mobile terminated calls, this traffic accounts for a much larger proportion – *43 percent* – of AT&T's total settlements payments to foreign carriers.

In many countries, U.S. international traffic is now predominantly terminated on mobile rather than fixed networks. In 48 countries, 50 percent or more of AT&T's international traffic is terminated on mobile networks, including on such significant international routes as between the U.S. and Guatemala, Indonesia, Jamaica, Nigeria, Netherlands and Thailand. In some countries, much greater proportions of AT&T's traffic require mobile termination. For example, more than 75 percent of AT&T's traffic to seven African countries now terminates on mobile networks.

The high proportion of international traffic to mobile networks in many less developed countries reflects the very high proportion of all telephone subscribers in these countries that are mobile rather than fixed network subscribers. Consequently, the growing predominance of international traffic to mobile networks in many less developed countries will be further increased by the continued high rates of mobile growth in these countries.

---

[18] *TeleGeography2004*, International Voice Carriers and Traffic, Mobiles.

3. The Largest Foreign Mobile Carriers Are Frequently Affiliates of Incumbent Fixed Line Carriers.

The beneficiaries of these high rates are frequently affiliates of the incumbent monopolists that not long ago charged U.S. carriers unreasonably high settlement rates for all international calls. As shown in Attachment A to these Comments (Foreign International Carriers With Mobile Affiliates), dominant foreign carriers have mobile affiliates in no fewer than 92 of the 110 countries in which AT&T pays a higher mobile rate and for which AT&T was able to obtain information to make this analysis. Similarly, the very large majority of the foreign carriers with which AT&T has direct, bilateral relationships and that charge higher rates for mobile calls have mobile affiliates.

According to the Probe Group, "[v]irtually all major incumbents worldwide (including the formerly government-controlled PTT administrations) view mobile as a must-have domestic position, essentially as a revenue substitution for fixed line."[19] Such revenue substitution is readily apparent with international call termination, where incumbents forced to reduce rates for termination on their traditional fixed networks now recoup their lost fixed-line settlements subsidies through high rates for international call termination with their mobile affiliates. Indeed, the proliferating number of these surcharges suggests that foreign carriers purposefully are altering their previous charge structures to take advantage of this mobile loophole.

A graphic demonstration of this process is provided by current developments in Mexico, which is now proposing to apply the "Calling Party Pays" ("CPP") regime to international calls terminating on mobile carrier networks. Following the April 2004 WTO panel findings in the

---

[19] Probe Group LLC, *Worldwide Mobile Carriers*, June 2004, at 1, 3.

dispute *Mexico – Measures Affecting Telecommunications Services*, the Mexican incumbent carrier, Telefonos de Mexico ("Telmex"), agreed to significant reductions in the above-cost settlement rates found unlawful by the WTO panel.[20] Mexico also agreed to remove its former proportionate return arrangements, which also were found unlawful by the WTO panel, under which Telmex was allocated incoming international traffic and the associated settlements payments in accordance with its more than 60 percent share of outgoing traffic.[21]

If Mexican carriers apply CPP to international calls, Telcel, an affiliate of Telmex, which is by far the dominant mobile carrier in Mexico with approximately 77 percent of all mobile users, will be able to recoup above cost international settlements payments from U.S. carriers that have been lost to Telmex as the result of the WTO panel ruling.[22] Currently, Mexico applies CPP only to local (fixed network) calls terminating on mobile networks, at a rate of approximately 20 U.S. cents per minute, while international and long distance calls to mobile networks are terminated under "Receiving Party Pays" ("RPP").

The WTO panel found that a conservative cost ceiling for the above-cost rates it found unlawful is a weighted average of 5.2 cents – 4 cents lower than the former rate. *Id.* Telmex has substantially reduced the international settlement rates paid by U.S. carriers following the panel ruling, and has stated in a recent U.S. Securities and Exchange Commission filing that the

---

[20] World Trade Organization, *Mexico–Measures Affecting Telecommunications Services*, WT/DS2044/R, Report of the Panel, Apr. 2, 2004 ("*WTO Panel Decision*"), ¶ 7.215, Table 1.

[21] *Id.*, ¶¶ 7.157, 7.263-64, 7.269.

[22] Telefonos de Mexico, Securities and Exchange Commission, Form 20F, filed June 28, 2004, at 7 & 72 (showing common control of Telmex and Telcel). Telmex and Telcel also have "extensive operational relationships." *Id. See also*, Reuters, *Factbox-Wireless Market in Latin America*, Mar. 5, 2004 (Telcel has 77.4 percent share of 30.2 million mobile users in Mexico).

"reductions range from approximately 30% to 50%."[23] If Mexico's existing CPP rate for local calls of approximately 20 U.S. cents per minute was applied to U.S. international calls, assuming that calls to mobile networks are 20 percent of total U.S. calls to Mexico and that the share of this traffic terminated with Telmex's affiliate Telcel is consistent with its 77 percent share of mobile users in Mexico, would recoup all or most of Telmex's rate reductions following the panel decision.

High mobile termination rates, as the Commission described in the *Eighth CMRS Report*, "direct[] subsidies from established fixed-line services to mobile services."[24] In fact, the overall revenue transfer from foreign domestic fixed to foreign mobile operators in above-cost access charges paid from 1998-2002 in France, Germany and the UK alone has been estimated at 19 billion Euros (approximately $25 billion).[25]

II. MARKET FORCES DO NOT REDUCE HIGH FOREIGN MOBILE TERMINATION RATES RESULTING FROM CPP.

A significant enabler of high foreign mobile termination rates, as the Notice suggests (¶ 9), is that virtually all foreign countries have adopted the "Calling Party Pays" ("CPP") paradigm for mobile networks rather than the more efficient "Receiving Party Pays" ("RPP") regime used in the United States, Canada and a few other countries. Under a CPP regime, the person who initiates the call to the mobile phone pays the mobile operator for the mobile

---

[23] Telefonos de Mexico, Form 20F, filed June 28, 2004, at 38.

[24] *Eighth CMRS Report*, ¶ 210

[25] *How mobile termination charges shape the dynamics of the telecom sector*, Bomsel, Cave, Le Blanc, Neuman, Final Report, Jul. 9, 2003 ("*Bomsel, Cave Final Report*"), at 52. *See also, id.* ("These three countries accounted for about 50% of mobile subscribers in the EU in 2002 (141 out of 286 million). If the same pattern of transfers were repeated elsewhere, the total sum involved would exceed 38 billion euros.")

termination, while the called party, who is a customer of the mobile operator, is not charged for the termination. Because the consumer who subscribes to the CPP mobile operator is not the same consumer who pays the CPP mobile operator for call termination, and there are no effective demand-side or supply-side substitutes for CPP mobile termination, there is no market constraint on CPP call termination rates. For this reason, the European Commission and a number of national regulators have found that CPP mobile operators have market power over call termination on their networks and are able to raise termination charges to unreasonably high levels without any competitive constraint.

1. CPP Mobile Networks Are Separate, Relevant Markets.

An ITU survey has found average fixed to mobile interconnection rates to be approximately 20 times higher under CPP regimes than under RPP regimes.[26] As the Commission stated in its *Eighth CMRS Report*, "a widely accepted explanation of why mobile termination rates are high in Europe and other CPP markets is that CPP confers a form of market power on mobile operators with regard to the setting of mobile termination charges."[27] The Commission explained that "[s]ince European subscribers only pay for the calls they make, competition among mobile operators to attract and retain customers exerts downward pressure on the price of outgoing mobile calls but not on mobile termination charges, which are absorbed by callers who have little choice but to terminate their calls on the mobile network chosen by the mobile subscriber."[28]

---

[26] *ITU Report*, at 25, Fig. 9.

[27] *Eighth Mobile Report*, ¶ 208.

[28] *Id.*

Because CPP mobile subscribers do not pay to receive calls, they have little or no sensitivity to the call termination fees their mobile operator charges to their calling party's operator. Indeed, it is clear that mobile termination charges play virtually no role in the selection of a mobile operator under CPP regimes. *See* Notice, ¶ 9. The UK regulator, Oftel (now "Ofcom"), found in 2001 that an insufficient number of consumers took account of termination charges on incoming calls in their choice of a mobile network to exercise any effective restraint on these charges.[29] Oftel reiterated this finding in 2004.[30] Indeed, because a mobile carrier collecting larger amounts of its total revenues from fees imposed on external callers may "rebate" a portion of these fees to its own retail customers through reduced rates, the private interest of mobile retail customers may be to encourage, not discourage, high mobile termination rates.

Ofcom found that mobile operators are able to "segment[]" the minority of mobile users with a higher elasticity to these prices "by offering them special tariffs, thus preventing this group from putting any effective pressure on the generality of termination charges levied on fixed operators and other [mobile operators]."[31] Changes in this situation were "extremely unlikely to happen in the next two to three years."[32] A 2003 UK report similarly finds that mobile subscribers "are not very responsive to the cost of incoming calls." Indeed, the report states that one mobile carrier that attempted to obtain a competitive advantage by reducing termination rates

---

[29] Office of Telecommunications, *Review of the Charge Control on Calls to Mobiles*, Sept. 26, 2001, at 5 ("*Oftel Charge Controls Review*").

[30] Office of Communications, *Mobile Voice Call Termination*, Statement, Jun. 1, 2004 ("*Ofcom 2004 Statement*") at 13 & n.5 ("The evidence presented in previous consultations is still consistent with recent evidence.")

[31] *Id.*

[32] *Id.*

for a few months "retracted this policy . . . when it recognised that no increase in volumes resulted: elasticities were small or close to zero."[33]

As the Notice correctly observes (¶ 10), parties seeking to call the mobile subscriber "have little choice" except to call through the mobile network chosen by the mobile subscriber. Oftel found that supply-side substitution would only be possible if there were access to the details of the subscriber's subscriber identity module ("SIM") card held by the subscriber's mobile operator, which can simply refuse to share this information with other operators.[34]

There is also no effective demand-side substitute for the calling party or the called party. Making a mobile-to-mobile call rather than a fixed-to-mobile call normally will incur a lower termination charge only if it is made on the same network, because calls between different mobile networks are usually no cheaper than fixed-to-mobile calls. And making a fixed-to-fixed call rather than a fixed-to-mobile call requires knowledge that the called party is close to a given fixed phone. For these reasons, the European Commission found that these potential substitutes do not constrain the ability of mobile operators to set unreasonably high termination charges.[35] Similarly, Oftel concluded in 2001 that "[t]he convenience of making or receiving a call on the move suggests that mobile and fixed telephony are not effective substitutes."[36] Other proposed substitutes for fixed-to-mobile calls, such as text messages or call-back arrangements, provide

---

[33] *Bomsel, Cave Final Report*, at 14,

[34] *Oftel Charge Controls Review* at 11.

[35] *European Commission Recommendation 2003/31/EC on relevant product and service markets within the electronic communications sectors susceptible to ex ante regulation*, OJ L 114, Aug. 5, 2003, Explanatory Memorandum ("*EU Recommendation*") at 32-34.

[36] *Oftel Charge Controls Review* at 9.

even less potential constraint.[37]

Consequently, as national regulators have found, these potential substitutes do not prevent mobile operators from raising call termination prices to unreasonably high levels.[38] For example, Ofcom concluded in 2004 that "no adequate wholesale supply or demand side substitutes for the termination of calls to the subscribers of a specific MNO currently exist," and "[t]his appears unlikely to change in the near future."[39]

In contrast, under the RPP regime, a mobile operator that raises termination charges "will necessarily decrease demand among its own subscribers for its own services."[40] A number of studies have therefore concluded that the RPP system is much more likely to produce low mobile termination rates than the CPP system.[41]

---

[37] The sending of text messages does not provide a close substitute for most voice calls and requires the use of a mobile phone or a computer. Call-back arrangements would require the called mobile subscriber to incur a mobile origination charge, and Oftel found no evidence that any such practice was having a constraining effect on call termination charges. *Id.* As described below, these potential substitutes have even less relevance to U.S. international calling to foreign mobile phones.

[38] *See, e.g.,* Australian Competition and Consumer Commission, *Mobile Services Review, Mobile Terminating Access Service*, Final Decision, Jun. 2004 ("*ACCC Final Decision*"), at vi ("In all cases, the Commission finds these potential substitutes to be lacking in that they either do not replicate the mobility characteristic key to the convenience of calling someone on a mobile phone (in the case of contacting mobile phone users on fixed line, VoIP or e-mail technologies), and/or do not provide sufficiently substitutable real time communications (in the case of e-mail and SMS communications."); New Zealand Commerce Commission, *Schedule 3 Investigation Into Regulation of Mobile Termination*, Draft Report, Oct. 18, 2004 ("*New Zealand Draft Report*"), at 17 ("These services are unlikely to represent sufficiently close substitutes to be included in the same market as call termination on a mobile network.")

[39] *Ofcom 2004 Statement*, at 13.

[40] Doyle & Smith, *Market Structure in Mobile Telecoms: Qualified Indirect Access and the Receiver Pays Principle*, May 1999, at 15

[41] *See id*; Crandall & Sidak, *Should Regulators Set Rates to Terminate Calls on Mobile Networks?* 21 Yale J. on Reg. 261, 265, 282, Summer 2004; Littlechild, *Mobile Termination*

(Footnote continued on next page)

Because of the lack of market constraint on CPP termination rates, the European Commission and a number of national regulators have found that CPP mobile operators have market power over call termination on their networks. Following the European Commission's recommendation on relevant markets, the EU Independent Regulator's Group ("IRG") determined that CPP mobile operators have monopoly control "over the access to end-users that are connected to its network."[42] The IRG noted that "[a]t present there are no adequate economic or technical supply or demand substitutes to mobile termination, nor is it likely that viable alternatives for mobile call termination will be introduced in the market in the foreseeable future."[43] A number of national regulators in the EU have made similar findings, including regulators in Belgium, Finland, Greece, Hungary, Ireland, Sweden, and the UK.[44] Outside the EU, regulators in Australia, Jamaica and New Zealand have also made such findings.[45]

2. <u>The Commission Should Reject the Broad Market Claimed By Mobile Carriers.</u>

Many foreign regulatory proceedings have rejected claims by mobile carriers that the relevant market for mobile call termination is the retail market for a so-called "basket" of mobile services, including handsets, access, outgoing calls and incoming calls. Notice, ¶ 31. Mobile

---

(Footnote continued from previous page)

Charges: Calling Party Pays vs. Receiving Party Pays, Apr. 2004.

[42] Independent Regulators Group, *Principles of Implementation and Best practice on the application of remedies in the mobile voice call termination market*, Apr. 1, 2004 ("*IRG Report*"), at 12.

[43] *Id.*

[44] *See* Notice, Appendix B. *See also*, Notification of the Voice Call Termination on Individual Mobile Networks Market, National Communications Authority, Hungary, Sept. 22, 2004.

[45] *ACCC Final Decision*; *New Zealand Draft Report*; Office of Utilities Regulation, Jamaica, *Assessment of Dominance in Mobile Call Termination*, Sept. 2, 2004.

carriers make this overreaching market claim based on the joint supply of these mobile services, or because the provision of origination and termination services over the same infrastructure allegedly provides supply-side substitutability between them.[46]

Regulators have dismissed these claims because they have found that competition in the broad market advocated by the mobile carriers does not constrain mobile termination rates. A critical factor in their analysis is that, under the CPP regime, mobile termination services and other mobile retail "basket" services are purchased by *different* customers. As Ofcom explains, "the CPP arrangement ensures that the party purchasing the termination is not the same party who chooses the mobile network on which that call is terminated – ensuring that the 'field of competition' in which mobile operators compete for customers does not extend to termination services."[47] For this reason, the retail mobile competition relied upon by the mobile carriers does not reduce excessive mobile termination rates, as demonstrated by the very high level of mobile termination rates in countries with CPP mobile regimes. *See* Notice, ¶ 35 (asking whether mobile termination rates can be excessive in competitive mobile markets).

The Notice (¶ 36) notes that the Commission reached very similar conclusions in establishing domestic access charge benchmarks for U.S. competitive local exchange carriers ("CLECs").[48] The Commission found that "the party causing the costs – the end user that

---

[46] *See New Zealand Draft Report*, at 24 (citing arguments by Vodafone and Telecom New Zealand); *Ofcom 2004 Statement*, at 14 (citing arguments by Vodafone).

[47] *Id.* at 15-16. *See also New Zealand Draft Report*, at 24 ("the Commission considers that the discontinuity in the demand side between purchasers of the service, such that wholesale customers purchase termination, and retail customers purchase calling services and subscription, is significant"); *ACCC Final Decision*, at vi ("mobile phone users generally have no incentive to insist that the mobile network they subscribe to sets lower [mobile termination charges]").

[48] *Citing CLEC Access Charge Reform Order*.

chooses the high priced LEC – has no incentive to minimize costs. Accordingly, CLECs can impose high access charges without creating the incentive for the end user to shop for a lower-priced access provider."[49]

The Commission therefore determined that end-user's LEC was "the bottleneck for IXCs wishing to complete calls to, or carry calls from, that end user."[50] Because "the market for access services does not appear to be structured in a manner that allows competition to discipline rates," it was "necessary to prevent CLECs from exploiting the market power in the rates that they tariff for switched access services."[51]

3. The High Rates Resulting From CPP Cause Significant Inefficiencies and Consumer Harm.

The above-cost termination rates resulting from the market power of CPP operators are both anticompetitive and highly inefficient. According to one study, CPP "tends to create perverse economic incentives. Carriers tend to be motivated to set termination rates vastly in excess of real costs, because in doing so they raise, not their own costs, but rather the costs of their rivals."[52] As Ofcom recently concluded in the UK, "excessive [mobile] termination charges are likely to produce adverse distributional outcomes, distort the development of fixed and

---

[49] *CLEC Access Charge Reform Order*, ¶ 31.

[50] *Id.*, ¶ 30.

[51] *Id.*, ¶¶ 32, 34.

[52] *Call Termination Fees: The U.S. In Global Perspective*, J. Scott Marcus, at 8, available at: ftp://ftp.zew.de/pub/zewdocs/div/IKT04/Paper_Marcus_parallel_Session.pdf. *See also*, *New Zealand Draft Report*, at 43 ("A vertically integrated operator has the ability to raise rivals' costs by charging retail competitors a higher rate for termination services than it charges itself for the same service.")

mobile competition, and increase the risk of anti-competitive behavior."[53]

Besides forcing fixed line carriers to pay a massive subsidy to mobile carriers, high fixed to mobile termination rates also distort competition among fixed-line carriers. As the IRG in the European Union has found, fixed network carriers with mobile affiliates – which include many incumbent PTTs as described above – use high mobile termination rates to increase the costs of their smaller fixed-line only rivals.[54] Such a vertically-integrated carrier also may "offer particularly low retail prices to its own fixed end-users for calls to its mobile network (i.e., by cross-subsidy)."[55] U.S. foreign-affiliated carriers may also offer particularly low prices on such routes. Appendix E to the Notice (Table 2 at E-2) indicates that, while AT&T, MCI and Sprint all have consumer mobile surcharges of 7-8 cents for calls to mobile networks in the Dominican Republic, Verizon, which owns the largest carrier in the Dominican Republic and that carrier's mobile affiliate, has no consumer mobile surcharge on this route.[56]

High mobile termination charges lead to further inefficiencies through high mobile minute-of-use charges and high rates for calls to mobile phones in CPP countries that depress consumer usage of mobile networks. The ITU report on mobile telephony cites "excessive interconnection charges" as "a serious inhibitor to future growth of national and international traffic on mobile networks."[57] The IRG points out that high mobile termination rates cause high

---

[53] *Ofcom 2004 Statement*, at 34.

[54] *IRG Report* at 15.

[55] *Id.*

[56] *See also*, http://www22.verizon.com/ForYourHome/LD/popup_IWB_Fees.asp (showing no "premium termination service charge" for the Dominican Republic).

[57] *ITU Report* at 6. Similarly, the Australian Competition and Consumer Commission ("ACCC") concludes that "above-cost prices lead consumers to make less (or shorter) FTM calls than would

(Footnote continued on next page)

retail prices both for fixed to mobile calls *and* for off-net mobile to mobile calls because there is "no evidence" that mobile operators even negotiate the rates they charge each other to efficient levels.[58] Thus, unlike the low U.S. mobile termination fees under the RPP regime, which "tend to facilitate flat rate mobile pricing," the "high mobile termination rates in Europe and elsewhere tend to enforce high charges per minute of mobile use."[59]

The Commission has previously noted that Europe, Japan and other CPP markets have lower mobile usage than the United States.[60] This is despite the fact that these countries also have lower fixed line use than that in the United States that would otherwise suggest more intensive use of mobile lines. The same result is shown by a recent analysis of mobile industries in the U.S. and forty-five other countries by Merrill Lynch. Forty of these countries use the CPP system. Merrill Lynch shows that the United States, Canada and Hong Kong, all of which use the RPP system, have the highest mobile minutes of use of *all* 46 countries.[61] Indeed, mobile usage in the United States is almost double the highest mobile usage in any country using the CPP system.[62]

(Footnote continued from previous page)

be consistent with an efficient use of telecommunications infrastructure." *ACCC Final Decision*, at 151-52. The New Zealand regulator has noted that the "higher propensity to be called" that might result from lower mobile termination rates "might make mobile subscription more attractive, and hence lead to an *increase* in mobile subscription levels." *New Zealand Draft Report*, at 77 (emphasis in original).

[58] *IRG Report*, at 15.

[59] *Call Termination Fees: The U.S. In Global Perspective*, J. Scott Marcus, at 17.

[60] *Eighth CMRS Report*, ¶ 211.

[61] Merrill Lynch, Global Wireless Matrix 1Q04, July 7, 2004, at Table 1 & Chart 12.

[62] *Id.* (showing average 1Q04 monthly minutes of use of 577 minutes in the U.S. and the highest average usage by any CPP country as 297 minutes in Korea).

4. U.S. Carriers and Consumers Cannot Avoid High Foreign Mobile Termination Rates.

Because a call to a foreign mobile phone must terminate on the network of the foreign mobile operator serving the called party, U.S. carriers cannot bypass foreign mobile termination bottlenecks. As a number of foreign regulators have found, there are no consumer substitutes for calls to mobile phones at the present time, and none are likely to emerge for the foreseeable future. *See* Notice, ¶ 15 (asking whether appropriate substitutes exist). In fact, the proposed substitutes have even less potential application to U.S.-outbound international calling than to foreign domestic calling. *Id.*, n.46. Making a mobile-to-mobile international call does not avoid a high foreign mobile termination rate, because U.S. international mobile-originated calls are terminated in foreign markets no differently than other U.S. international calls. And any reversal of the direction of a U.S.-outbound international call would require the called party to incur a potentially substantial foreign international origination fee.[63]

AT&T therefore has no greater ability than any foreign domestic fixed line carrier to avoid high foreign mobile termination rates. Additionally, because AT&T generally does not have direct arrangements with foreign mobile carriers, and terminates traffic to foreign mobile networks through its foreign international correspondents, AT&T must pay the charges for this traffic that are required by those correspondents. AT&T usually has no direct knowledge of the precise termination fees that are charged by foreign mobile carriers, because these are not publicly available and AT&T only sees the fees charged by its correspondents. However, AT&T

[63] Because of lower U.S. prices, income disparities and other factors, the number of U.S.-outbound international calls far outweigh U.S-inbound calls on almost every international route. For similar reasons, most existing international call-back arrangements are U.S.-inbound.

believes in many cases that it is charged additional non-cost-based fees for this traffic by its foreign international correspondents in addition to those charged by foreign mobile carriers.

Foreign regulators and foreign mobile carriers, therefore, should be encouraged to provide greater transparency of foreign mobile termination rates. Such transparency would not, of course, address the high level of the mobile carrier rates. Even in the four countries where AT&T has established direct arrangements with foreign mobile carriers, those direct arrangements only avoid additional charges by the foreign international carrier and do nothing to drive down the mobile rates.

Foreign mobile carriers have attempted to deflect attention from their high termination rates by contending that U.S. carrier surcharges for calls terminating on foreign mobile networks are "excessive."[64] However, these claims are based on comparisons of U.S. carrier consumer surcharges with rates allegedly charged by foreign mobile carriers, and fail to take account of the fact that the rates paid by AT&T are those charged by its foreign international correspondents. AT&T charges a single foreign mobile termination surcharge for each country that is designed to ensure the recovery of all costs associated with the foreign mobile termination rates charged by these correspondents. AT&T updates these surcharges periodically, usually on a quarterly basis, to take account of increases and reductions in these termination rates. These updates often fail to keep pace with the frequent increases in these rates, which invariably outweigh the number of reductions. Most recently, on January 1, 2005, AT&T added new surcharges on 14 international routes, increased existing surcharges on a further 32 routes, reduced surcharges on 18 routes and

---

[64] Letter dated Mar. 3, 2004 to Marlene Dortch, FCC, from Marco De Benedetti, Telecom Italia, IB Dkt. 02-324, pgs. 4-5 of attached Position Paper on Mobile Termination Rates.

deleted surcharges on 4 routes. Previously, on October 1, 2004, AT&T added new surcharges on 25 international routes, increased existing surcharges on a further 21 routes, reduced surcharges on 27 routes and deleted surcharges on 11 routes.

Moreover, unlike foreign mobile termination prices, which are subject to no competitive constraint at all, U.S. international carrier consumer retail prices, including their mobile termination consumer surcharges, are completely determined by competitive market forces. The Commission found in 1996 – when AT&T's share of the U.S. international market was significantly larger than it is today – that AT&T, the largest U.S. international carrier, had no ability to charge unreasonably high rates because of the competitive nature of the U.S. international market.[65] In 2001, the Commission found "there has been a substantial increase in the level of competition in the international interexchange market" when it detariffed nondominant U.S. carriers' provision of international services.[66]

The U.S. market is even more highly competitive today. In 2004, the Commission found "average price reductions substantially *outpaced* settlement rate reductions during this period [1997 through 2002], reflecting pass-through of settlement rate reductions as well as other cost savings and increasing competition in the U.S.-international market."[67] When competition in the U.S. market ensures that rates closely follow underlying costs in this way, U.S. international carriers have no ability "to unreasonably 'mark up' these charges." Notice, ¶ 23.

---

[65] *See Motion of AT&T Corp. to be Declared Non-Dominant for International Services*, Order, 11 FCC Rcd. 17963, ¶ 88 (1996) ("AT&T does not have the unilateral ability to set prices and should therefore no longer be regulated as dominant.")

[66] *2000 Biennial Regulatory Review*, Report and Order, 16 FCC Rcd. 10647, ¶ 6 (2001).

[67] *ISP Reform Order*, ¶ 72 (emphasis added).

Additionally, AT&T has taken reasonable steps to educate consumers concerning foreign mobile termination fees by placing relevant information on its web-site. Rule 42.10 (b) specifically authorizes U.S. carriers to provide rate and service information to U.S. consumers in this manner, and the Commission has also used its web-site to inform consumers on this issue. Notice, ¶ 15 & n.44. AT&T also provides quarterly bill messages for its international consumer customers reminding them that surcharges may apply to international calls terminating on mobile phones and directing them to AT&T's web-site for further information.

III. FOREIGN REGULATORY ACTION IS INSUFFICIENT TO PREVENT HARM TO U.S. CONSUMERS.

The Notice (¶ 14) observes that opponents of Commission action on foreign mobile termination rates contend that it is sufficient to rely on actions by foreign regulators to address this issue.[68] Appendix B to the Notice, where the Commission lists action on foreign mobile termination by foreign regulators, shows otherwise. The Commission identifies only sixteen countries as taking regulatory action on foreign mobile termination rates. While some action is also being taken in a few additional countries, it is clear that only in a very small minority of the 161 countries where U.S. carriers pay higher mobile rates have regulators even attempted to

[68] Those that contend that the Commission should rely on action by foreign regulators to address foreign mobile termination rates firmly oppose such action in their filings with foreign regulators and appeals to foreign appellate tribunals. *See e.g.*, Vodafone Press Release, *Vodafone Sweden Appeals Against PTS' Decision*, Jul. 26, 2004 (announcing its appeal of the Swedish regulator's classification of Vodafone as possessing Significant Market Power and the regulator's decision to regulate Vodafone's interconnect fees on the grounds that "PTS does not possess the expertise required to perform this kind of market and competition analysis"); Vodafone News Release, *Vodafone appeals ACCC Final Decision over "legislative powers,"* Jul. 27, 2004 ("Vodafone Australia today commenced proceedings in the Federal Court of Australia challenging the power of the ACCC to set prices as part of its Final Decision regarding mobile termination rates.")

address mobile termination.[69] In the very large majority of countries, regulators are doing nothing at all.

Even where regulators have addressed mobile termination, few countries have adopted adequate remedies. Most have imposed no remedy at all, taken action that is patently inadequate, or postponed remedies for an unacceptably long period. Notably, there is only *one* country, Korea, where the regulator has required mobile termination rates to be reduced to the conservative cost ceiling of 5 cents shown by AT&T's R-TCP study, and less than a handful of other countries have reduced rates to even twice this level. The Commission has previously found that it cannot rely on the actions of foreign regulators to ensure that U.S. consumers are not harmed by above-cost international settlement rates, and the absence of effective foreign regulatory action on mobile termination requires the same finding here.

1. Few Foreign Countries Have Taken Adequate Action.

As noted above, a number of foreign regulators have now determined that mobile operators possess market power under CPP regimes and therefore require regulation. Various European Union countries have taken this procedural step, following the European Commission's Recommendation on relevant Markets, which designated the market for voice call termination on individual networks as one where Member State remedies are presumptively necessary.[70] However, each EU country must then assess specifically whether individual operators have significant market power and then must establish and enforce appropriate remedies. Some EU Member States have not yet even determined whether their mobile operators

---

[69] *See* Notice, Appendix B & ¶ 21.

[70] *EU Recommendation.*

have significant market power, and Germany has (erroneously) determined that no such finding is warranted for any of its mobile operators.

Furthermore, no EU country has reduced its domestic mobile termination rates to the global average 5-cent cost ceiling shown by the AT&T's R-TCP model level. The EU country with the lowest rates, Sweden, requires rates of 9 cents in 2005 and further reductions to 7 cents in 2007, and this ruling is now under appeal. Rates in the UK, the country with the next lowest rates, remain over 10 cents. Average fixed to mobile interconnection rates in the EU-15 countries in July 2004 were still 20 cents – four times the R-TCP cost ceiling.[71] As shown in Attachment B to these Comments (Countries Where AT&T Pays Higher Rates for Mobile Termination), a number of EU Member States were among the first countries in which AT&T was required to pay mobile termination surcharges in February 2001. Four years later, and notwithstanding much work by EU and national regulators in these countries during this period, AT&T continues to pay unreasonably high mobile termination charges in many of these countries.

Fewer countries have taken regulatory action outside the EU. Australia and New Zealand have both undertaken proceedings, but only Australia has thus far established rate levels, which are recommendations rather than requirements. The most significant action has been by Korea, which has established the LRIC-based rates described above. Of particular concern is the lack of action by many countries in the developing world, where much future mobile growth is projected to occur. Other than in Nigeria, which has reduced rates below 9 cents, Jamaica, which has determined that mobile operators are dominant operators, and Jordan, where there has been some

---

[71] *EU 10th Implementation Report*, at 65.

reduction in rates, there has been little attempt to address the issue by regulators in developing countries.

2. <u>This Record Provides No Basis to Withhold Commission Action.</u>

The absence of effective regulatory action on mobile termination in the large majority of countries with mobile surcharges demonstrates that this global issue will not be addressed by relying on foreign regulators to enforce adequate remedies. Nor can the Commission address this issue effectively on a partial basis, by withholding action on particular routes where it found foreign regulators had taken sufficient steps. As the Commission noted in rejecting proposals to forbear from applying the existing settlement rate benchmarks on certain routes, "when substantial progress has been made in negotiating cost-based settlement rates could be difficult to establish objectively."[72]

The Commission has previously refused to consider the effectiveness of foreign regulation on a route-specific basis because of the difficulty of obtaining the necessary information. In establishing its rules preventing the abuse of market power by dominant carriers in foreign countries, the Commission found that "obtaining sufficiently reliable and timely information about a foreign regulatory regime is a difficult, resource-intensive, and time-consuming process."[73] For this reason, the Commission applies its dominant carrier rules on all routes where the foreign affiliate of a U.S. carrier has market power "without conducting a separate analysis of the effectiveness of a foreign country's regulatory regime."[74]

---

[72] *Benchmarks Order*, ¶ 114.

[73] *Rules and Policies on Foreign Participation in the U.S. Telecommunications Market*, Report and Order and Order on Reconsideration, 12 FCC Rcd. 23891, ¶ 230 (1997).

[74] *Id.*

A further concern is the Most Favored Nation ("MFN") requirement of the WTO General Agreement on Trade in Services. In establishing the existing settlement rate benchmarks in 1997, the Commission acknowledged concerns that withholding its benchmarks from some routes based on foreign market conditions "may not be consistent with our MFN obligations under the GATS."[75] The Commission therefore applied benchmarks on all routes, although it recognized that "in markets where there is fully developed competition, settlement rates will likely be below the benchmarks."[76] The Commission noted that "[a]s a practical matter," benchmarks would simply be "a moot question" where rates were already below benchmarks.[77]

IV. THE COMMISSION SHOULD IMPOSE MOBILE BENCHMARKS TO PREVENT UNFAIR AND ANTICOMPETITIVE U.S. CONSUMER SUBSIDIES OF FOREIGN CARRIERS.

The Notice (¶¶ 14, 16) asks how the Commission should address "instances where foreign fixed carriers impose inflated or discriminatory foreign mobile termination charges on U.S. international carriers." The Commission adopted its 1997 settlement rate benchmarks after many years of unsuccessful efforts to reduce unreasonably high settlement rates by other means, and over the strenuous objections of the foreign carriers and governments that were the beneficiaries of those above-cost rates. Seven years later, with fixed termination rates on the vast majority of international routes at or below benchmarks, and U.S. and foreign consumers

---

[75] *Benchmarks Order*, ¶ 114. In 2001, the Commission did not adopt proposals for streamlining submarine cable license applications that AT&T and other commenters argued would violate the GATS MFN obligation by conditioning streamlined treatment on foreign market conditions. *Review of Commission Consideration of Applications Under the Cable Landing License Act*, Report and Order, 16 FCC Rcd. 22167, ¶ 18, n.45 (2001).

[76] *Benchmarks Order*, ¶ 115.

[77] *Id.*

receiving the full benefits of these reductions, it is clear that benchmarks are among the Commission's most successful international policies.

Unfortunately, the fixed-line subsidies that formerly inflated U.S. carriers' fixed termination rates have now reappeared in the form of high mobile rates, supported by many of the same spurious arguments formerly made in favor of high fixed rates – such as that U.S. consumers should be required to subsidize telecommunications network development in other countries. Despite the efforts of the Commission and the Executive Branch to draw attention to this issue,[78] and the actions by foreign regulators described above, U.S. carriers continue to pay unreasonably high rates in many countries and the number of countries with foreign mobile termination surcharges continues to grow apace.

As the Commission found in mandating benchmarks for CLEC access charges, because these rates are the result of bottleneck monopolies, there can be no reliance on market forces to reduce rates to reasonable and cost-based levels. The Commission should address this issue in similar fashion, by commencing a further proceeding to establish new separate benchmarks for mobile termination.

1. Longstanding Commission Policies Support Commission Action to Reduce Above-Cost Mobile Termination Rates.

The longstanding international settlement rate goal of the Commission "is cost-based rates because these rates promote economic efficiency and are the rates that would exist in a

---

[78] *See, e.g., ISP Reform Order*, ¶¶ 90-91; U.S. Trade Representative, *Results of 2004 Section 1377 Review of Telecommunications Trade Agreements*, Apr. 7, 2004; Letter dated Aug. 5, 2004 to Michael K. Powell, Chairman, FCC, from Nancy J. Victory, Assistant Secretary for Communications and Information, U.S. Department of Commerce, IB Docket Nos. 02-324 & 96-261.

competitive market situation."[79] The Commission similarly emphasizes in its domestic orders that efficient interconnection rates must be cost-based.[80] The Commission determined in 1991 that the International Settlements Policy ('ISP"), which prohibited "whipsaws" and other discriminatory treatment of U.S. carriers by foreign monopolists, should "also address the adverse effect of above-cost levels of international accounting rates on U.S. carriers and U.S. consumers," and directed "U.S. carriers to negotiate with their foreign correspondents accounting rates that are consistent with relevant cost trend[s]."[81]

These policies make no distinction between fixed and mobile-terminated calls. In 2000,

---

[79] *AT&T Corp., Petition for Waiver of the International Settlements Policy to Change the Accounting Rate Arrangement for Switched Voice Service with Japan*, Memorandum Opinion and Order, 12 FCC Rcd. 18,287, ¶ 8 (1997).

[80] For example, the Commission determined that prices for interconnection and unbundled network elements "should reflect forward-looking economic costs in order to encourage efficient levels of investment and entry." *Local Competition Order,* ¶ 672.. *See also, id.*, ¶ 630 (citing the Commission's observation in the NPRM "that economists generally agree that prices based on forward-looking long-run incremental costs (LRIC) give appropriate signals to producers and consumers and ensure efficient entry and utilization of telecommunications infrastructure.") The Commission has more recently reaffirmed its commitment to a forward-looking economic cost methodology and its rejection of historic cost, Efficient Component Pricing Rule ("ECPR") and Ramsay pricing approaches. *Review of the Commission's Rules Regarding the Pricing of Unbundled Network Elements and the Resale of Service by Incumbent Local Exchange Carriers*, Notice of Proposed Rulemaking, 18 FCC Rcd. 18945, ¶¶ 29-37 (rel. Sept. 15, 2003). *See also, id.*, ¶ 30 ("a forward-looking cost approach more closely approximates the costs that would exist in a competitive market than does an historical cost approach by revealing the potential efficiencies that might not otherwise be apparent"). *See also, Access Charge Reform*, First Report and Order, 12 FCC Rcd. 15892, ¶ 263 (1997) ("Competitive markets are superior mechanisms for protecting consumers by ensuring that goods and services are provided to consumers in the most efficient manner possible and at prices that reflect the cost of production.").

[81] *Regulation of International Accounting Rates*, Report and Order, 6 FCC Rcd. 3552, ¶¶ 1-2 (*"1991 Accounting Rate Order"*). The Commission encouraged "significant reductions in international accounting rates," *id.*, ¶ 9, and also emphasized that it would deny any requested "non-cost-based increases in, or surcharges to, the accounting rate," unless these were shown to be in the public interest. *Id.*, ¶16 & n.30.

Sprint and WorldCom required a waiver of the ISP requirement for nondiscriminatory rates before they could agree to a different settlement rate with Brazil for mobile terminated calls,[82] and FCC International Bureau Chief Regina Keeney informed British Telecom in 1998 that its proposed "mobile settlement rate of 0.09 SDR . . . may violate our accounting rate policies" because there was no showing that this increased rate was "cost-justified."[83]

Indeed, the Commission affirmed in the 2004 *ISP Reform Order* that "[t]he Commission's long-standing goals regarding rates for termination of international communications apply to foreign mobile termination rates. As we found with regard to fixed rates, policies based on these goals act to ensure the public interest benefits of more efficient competition and more cost-based calling rates to U.S. consumers."[84] The Commission further stated that "where rates for foreign mobile termination applied to U.S.-international traffic are excessively high, they should move towards cost."[85] Thus, there is no basis for any claim that these Commission policies do not apply to mobile terminated traffic.

The Commission's 1997 benchmarks sought to achieve the same goal established six years earlier: cost-oriented settlement rates.[86] In establishing those rules, the Commission

---

[82] *Waiver of the International Settlements Policy*, Public Notice, 15 FCC Rcd. 11447 (2000). *See also,* WorldCom Petition dated June 1, 2000, ISP WAV-20000601-00012 and Sprint Petition dated April 4, 2000, ISP WAV-20000606-00013.

[83] Letter dated Aug. 3, 1998, from Regina M. Keeney, Chief, International Bureau, to Jerry Mattiace, Director, British Telecom Global Communications ("Our policy is that we will approve a higher rate for a particular service (or a surcharge on an existing accounting rate) only where the higher rate can be cost-justified. Your letter does not demonstrate that 0.09 SDR represents the cost of terminating a mobile call in the U.K.")

[84] *ISP Reform Order*, ¶ 91.

[85] *Id.*

[86] The *1991 Accounting Rate Order* also "recommend[ed] that United States delegations to the

(Footnote continued on next page)

emphasized that benchmarks were necessary because "the settlement rates U.S. carriers pay foreign carriers to terminate U.S.-originated traffic are in most cases substantially above the costs foreign carriers incur to terminate that traffic."[87] Those above-cost rates caused "artificially high" U.S. consumer prices, discouraged "effective competition and cost-based pricing" in foreign markets, and could be used to fund "strategies that create competitive distortions" in the U.S. international market.[88] Through inflated settlement rates, foreign monopoly carriers "in effect impose their monopoly pricing on customers located in open markets' such as the United States."[89] Benchmarks would "ensure that a large cost component affecting the end user charges for an international call, the settlement rate, moves closer to the underlying cost of international termination service."[90]

The benchmarks cover all U.S. international switched ("International Message Telephone Service" ("IMTS")) traffic, including calls terminating on foreign mobile networks. The *Benchmarks Order* expressly states that all U.S. international traffic is subject to the benchmarks,

---

(Footnote continued from previous page)

International Telegraph and Telephone Consultative Committee (CCITT) of the International Telecommunication Union (ITU) seek revision of language in existing and proposed CCITT Recommendations to clarify that international accounting rates should be cost-based and nondiscriminatory." ¶ 1. The result was ITU-T Recommendation D.140, adopted in 1992, and calling for carriers to adopt cost-oriented rates. *See Benchmarks Order*, ¶ 17. *See also, id.* ("Our settlement rate benchmarks are consistent with the directive in ITU-T Recommendation D.140 to achieve cost-oriented rates and represent substantial progress in implementing that directive in the United States.")

[87] *Benchmarks Order*, ¶ 2.

[88] *Id.*

[89] *Id.*, ¶ 32 (citation omitted).

[90] *Id.*, ¶ 24.

and nothing in that order, or any Commission benchmark enforcement order, suggests that any category of international switched traffic is excluded.[91]

Indeed, in explaining why the benchmarks "fully compensate foreign carriers for the costs they incur in terminating international traffic," the Commission noted a claim by one foreign carrier that the TCP methodology failed to take account of "'network architecture and *wireless telephone call charge*.'"[92] The Commission's following discussion emphasized that the conservative nature of its tariff-based methodology would "allow foreign carriers to recover their costs of providing international termination services."[93]

The D.C. Circuit subsequently affirmed that the Commission has full authority to require compliance with benchmark settlement rates.[94] And notably, in the more than seven years since the benchmarks were established, not one foreign carrier has asked for reconsideration of a benchmark rate on the grounds that it fails to permit the recovery of costs for any type of

---

[91] *See, id.*, ¶ 1 ("benchmarks . . . govern the international settlement rates that U.S. carriers may pay foreign carriers to terminate international traffic originating in the United States"); ¶ 312 ("the rules we adopt here apply … to the settlement rates that carriers subject to our jurisdiction must pay for termination of U.S.-originated traffic'). *See also, International Settlement Rates,* Report and Order on Reconsideration and Order Lifting Stay, , 14 FCC Rcd. 9256, ¶ 2 (1999) ("we affirm the Commission's previous finding that it possesses authority to regulate international settlement payments by U.S. carriers for the termination of traffic originating in the United States"); *Petition for Enforcement of International Settlements Benchmark Rates for service with Qatar*, Order, 16 FCC Rcd. 16203, ¶ 10 (2001) ("we direct all U.S. international facilities-based carriers to conduct settlements with Q-Tel for international message telephone service at a rate that does not exceed 15 cents per minute for service provided on or after January 1, 1999"); *Petition for Enforcement of International Settlements Benchmark Rates for Service with Kuwait*, Order, 14 FCC Rcd. 8868, ¶ 9 (1999); *Petition for Enforcement of International Settlements Benchmark Rates for Service with Cyprus*, Order, 14 FCC Rcd. 8874, ¶ 14 (1999).

[92] *Benchmarks Order*, ¶ 57 & *id.*, n.85 (emphasis added).

[93] *Id.*, ¶ 70.

[94] *Cable & Wireless P.L.C. v. FCC*, 166 F.3d 1224, 1232-33 (1999).

international traffic.[95] That is hardly surprising, because the 1997 benchmarks were set far above cost-based levels.[96] This is shown by the fact that fixed termination rates on many routes are now far below those levels. While much progress remains to be made on a number of routes, the *average* U.S. settlement rate of 11 cents is now substantially lower than the lowest benchmark rate established in 1997. On many competitive routes, as noted above, AT&T terminates traffic on fixed networks for as little as 2 cents.

The major exception to the success of the Commission's benchmarks policy is mobile-terminated traffic, where foreign mobile operators have used their CPP bottlenecks to resist the market pressures that have reduced fixed termination rates toward cost. Because of this evident market failure, there is no reasonable prospect that U.S. carriers will obtain meaningful reductions in these rates through the normal process of competitive commercial negotiation. As with international settlement rates in 1997 and CLEC access charges in 2001, such progress will be made only through the establishment and enforcement of new benchmarks based on recent data.

2. Similar Longstanding Commission Policies Affirm That U.S. Consumers Should Not Subsidize Foreign Carriers.

The core principle underlying the Commission's international settlement rate benchmarks and its longstanding policy of reducing international settlement rates to cost-based levels is that

---

[95] *See, Benchmarks Order,* ¶ 74 ("any carrier may ask us to reconsider, in a specific case, the benchmarks on the grounds that they do not permit the carrier to permit the carrier to recover the incremental costs of providing international termination service").

[96] *See, e.g., id.*, ¶ 44 ("Even though our goal is cost-based settlement rates, the benchmarks based on the TCP methodology that we adopt here result in settlement rates that we believe still exceed foreign carriers' costs to terminate international traffic because they are based primarily on foreign carriers' tariffed rates.")

settlement rates should be based on the "costs incurred by foreign carriers to terminate international traffic."[97] The Commission established the existing benchmarks "because . . . the settlement rates U.S. carriers pay foreign carriers to terminate U.S.-originated traffic are in most cases substantially above the costs foreign carriers incur to terminate that traffic."[98] The *Benchmarks Order* specifically states that "costs which would *not* be included in cost-based settlement rates" include "costs associated with marketing, allowances for uncollectible billings and other retail communications services to consumers."[99]

Even foreign mobile carriers and other proponents of high foreign mobile termination rates make no claim that these lofty rates are required to recover the costs of terminating international calls. CTIA acknowledges that mobile carrier termination rates are "not limited to recovering only the costs of terminating a call, but instead [are] *designed* to recover a broader range of carrier costs, such as billing, marketing, infrastructure, etc."[100] The Notice (¶ 32) cites similar claims by the Charles River Report that high rates serve such purposes as "investment in telecommunications infrastructure, and promotion of universal service." The proponents of high

---

[97] *Id.*, ¶ 29. Similarly, Section 252 (d)(2)(A)(ii) of the Telecommunications Act of 1996 directs that charges for local exchange transport and termination shall be based on "a reasonable approximation of the additional cost of terminating such calls."

[98] *Id.*, ¶ 2. See also, id, ¶ 36 ("We are not, as many commenters contend, concerned with the absolute level of U.S. net settlements payments per se or the contribution of settlement payments to the U.S. trade deficit. Rather, we are concerned with the extent to which those payments reflect rates that substantially exceed the underlying costs of providing international termination services.")

[99] *Id.*, ¶ 44 (emphasis added). Similarly, parties seeking reconsideration of benchmarks must show "that they do not permit recovery of the incremental costs incurred to receive, transmit and terminate international service." *Id.*, ¶ 88. A petitioner "must demonstrate that the *relevant* incremental costs are higher than the established benchmark." *Id.* (emphasis added).

[100] Letter dated Feb. 13, 2004 to Ms. Marlene Dortch, Secretary, FCC, from Diane Cornell, CTIA, IB Docket No. 02-324.

rates thus concede that these rates recover much more than the economic costs incurred to terminate international calls and therefore are *not* cost-based in accordance with the requirements of Commission policies. Indeed, AT&T is not aware of any study that demonstrates that the rates charged for mobile termination are based on the costs incurred to terminate calls to mobile networks.

The Commission rejected very similar claims in the benchmarks proceeding that U.S. consumers should be required to fund foreign infrastructure development through high settlement rates. The Commission noted that its tariff-based TCP benchmark methodology already included a "generous" above-cost-margin that could be used for this purpose.[101] The Commission also emphasized that "[h]idden subsidies such as those contained in settlement rates and subsidies borne disproportionately by one service" are "not consistent" with the requirements for universal service programs established by the WTO Reference Paper, which states that these programs must be "administered in a transparent, non-discriminatory and competitively neutral manner."[102] They must also be "not more burdensome than necessary for the kind of universal service defined by the [WTO Member country]."[103]

The hidden subsidization of foreign mobile carriers and their owners through high foreign mobile termination rates fails to comply with these key principles. Even if these subsidies were established in accordance with foreign government-mandated universal service programs, which they are not, they are non-transparent, not independently administered, unreasonably

---

[101] *Benchmarks Order*, ¶ 87.

[102] *Id.*, ¶ 148.

[103] WTO Reference Paper, Section 3.

burdensome, and fail to be competitively-neutral because of the disproportionate burdens they impose on fixed network operators.[104] Moreover, because of the extremely high penetration rates already achieved by mobile networks and their longstanding and continued rapid growth, it is clear that these networks need no universal service or infrastructure improvement subsidy from U.S. callers.

3. CLEC Benchmarks Provide Another Important Precedent.

The Commission made clear in the *Benchmarks Order* that it would prefer to allow settlement rates to be determined by competition, because "that would provide the best assurance that carriers are charging cost-based rates."[105] That was not possible because "competitive market conditions do not exist in many countries at this time."[106] Benchmarks therefore were "necessary to ensure that U.S. carriers achieve settlement rate reductions on a timely basis that will benefit U.S. consumers."[107]

Under competitive market conditions, prices for international termination services "would tend to the level of total service long run incremental cost, or TSLRIC, plus a reasonable contribution to joint and common costs."[108] Accordingly, "settlement rate benchmarks ideally should be set at that level.[109] Because the necessary foreign carrier cost data were not available to

---

[104] *See also*, *Local Competition Order*, ¶ 713 (finding that because universal service funding is a "non-cost-based" charge, the inclusion of any such funding in interconnection rates is inconsistent with Commission requirements for cost-based interconnection rates).

[105] *Benchmarks Order*, ¶ 40.

[106] *Id.*

[107] *Id.*, ¶ 39.

[108] *Id.*

[109] *Id.*, ¶ 42.

the Commission, it used the conservative TCP methodology "based primarily on foreign carriers' tariffed rates."[110]

The Commission's efforts to obtain "more economically rational" domestic access charges similarly seek to "align[] access rate structures more closely with the manner in which costs are incurred" and to obtain "the removal of subsidies from access rates."[111] As described above, the Commission has applied these policies to require CLEC access charge benchmarks because it recognized that even competitive new entrant "providers of terminating access may be particularly insulated from the effects of competition in the market for access services."[112]

The Commission expressly rejected CLEC arguments very similar to the claims that are now made by foreign mobile carriers in support of their high termination rates – "that their rates are justified by their substantial network development costs" and a "smaller customer base over which they may spread their operational costs."[113] In another close parallel to the claims by foreign mobile carriers, the Commission also recognized that "greater access revenues likely permit CLECs to offer lower rates to their end users."[114] However, the Commission found it "inappropriate[] to shift onto the long distance market in general a substantial portion of the CLECs' start-up and network build-out costs."[115] Cost-shifting of this type was "inconsistent

---

[110] *Id.*, ¶ 44.

[111] *CLEC Access Charge Reform Order*, ¶ 8.

[112] *Id.*, ¶ 28.

[113] *Id.*, ¶ 27.

[114] *Id.*, ¶ 28.

[115] *Id.*, ¶ 33. *See also, id*, ¶ 6 (benchmarks will ensure "that CLECs do not shift an unjust portion of their costs to interexchange carriers").

with the competitive market that we seek to encourage for access service," and "may promote economically inefficient entry into the local markets and may distort the long distance market."[116] As described above, the Commission established international settlement rate benchmarks because of very similar concerns about the harmful effects of above-cost settlement rates on competition in both the U.S. and foreign markets.[117]

In establishing CLEC benchmarks the Commission underscored – as it did in establishing settlement rate benchmarks – "our preference to rely on market forces as a means of reducing access charges" and that it therefore sought "to the extent possible, to mimic the actions of a competitive marketplace, in which new entrants typically price their product at or below the level of the incumbent provider."[118] CLEC benchmarks therefore were set at the competing ILEC rate. In May 2004, the Commission reaffirmed these benchmarks addressing this "market failure" and concluded that "regulation of these rates is necessary for all the reasons that we identified in the *CLEC Access Reform Order*."[119]

For similar reasons, Commission action is equally necessary to address foreign mobile termination charges. Because foreign mobile carriers possess the same monopoly control as

---

[116] *Id.* Similarly, Ofcom noted in June 2004 with regard to competition among UK mobile carriers that "[t]o the extent that the price of mobile termination services better reflect costs, competition in retail mobile markets is more likely to be more effective in delivering outcomes favourable to all consumers." *Ofcom 2004 Statement*, at 32.

[117] *See Benchmarks Ord*er, ¶ 2.

[118] *CLEC Access Charge Reform Order*, ¶ 45.

[119] *Access Charge Reform*, Eighth Report and Order and Fifth Order on Reconsideration, 19 FCC Rcd. 9108, ¶¶ 4, 17 (rel. May 18, 2004). The Commission also denied requested modifications that "could substantially increase the amount by which IXCs subsidize competitors in the local-service market and would create ongoing incentives for economically inefficient entry in new markets." *Id.*, ¶ 24.

CLECs over termination on their networks, market forces can be no more successful in reducing foreign mobile termination charges than in curbing CLEC access charges. With little effective action on mobile termination being taken by foreign regulators, U.S. consumers and carriers require urgent intervention by the Commission, in the same way that Commission action on international settlement rates was required in 1997, to remove the huge and unreasonable subsidies that are being paid to foreign carriers.

V. THE COMMISSION IS AUTHORIZED TO REQUIRE COMPLIANCE WITH BENCHMARK RATES REGARDLESS OF WHETHER U.S. CARRIERS HAVE DIRECT ARRANGEMENTS WITH FOREIGN MOBILE CARRIERS.

The Notice observes (¶ 3) that U.S. carriers generally do not correspond directly with foreign mobile carriers and instead are terminated through correspondent arrangements with foreign international carriers. As noted above, AT&T has direct arrangements with foreign mobile carriers in only four countries, and its efforts to enter into similar direct arrangements on other international routes have not been successful. However, AT&T does not believe that those arrangements would bring significant reductions in foreign mobile termination rates, because it is evident that foreign mobile carriers seek to use their market power in all their termination arrangements.

In any event, there is no doubt that the Commission is authorized to enforce a benchmark settlement rate irrespective of whether U.S. carriers have direct contractual relationships with foreign mobile carriers. As the *Benchmarks Order* makes clear, settlement rate benchmarks operate only as a "direct constraint on U.S. carriers," and do not regulate foreign carriers.[120]

---

[120] *Benchmarks Order*, ¶ 279.

Benchmarks govern "the settlement rates that carriers subject to [the Commission's] jurisdiction may pay for termination of U.S.-originated traffic."[121] They have no more than "an indirect effect" on any foreign carrier.[122] The D.C. Circuit found "the Commission's view that the Order regulates domestic carriers, not foreign carriers" to be "reasonable." The court emphasized that even though "the practical effect of the Order will be to reduce settlement rates charged by foreign carriers . . . the Commission does not exceed its authority simply because a regulatory action has extraterritorial consequences."[123]

Thus, there is no basis to any claim that benchmarks should not apply because foreign international carriers pay mobile termination rates to another carrier. Nothing in the *Benchmarks Order* suggests that it does not apply where the foreign international carrier must enter into an arrangement with another carrier to terminate U.S. international calls. Indeed, the Commission established the original benchmarks notwithstanding claims by foreign carriers "that the TCP methodology ignores certain costs incurred by carriers such as local interconnection costs paid to incumbent local carriers by competing international carriers."[124]

But most of the time, U.S. traffic terminates with mobile affiliates of the foreign international carriers with which U.S. carriers have direct correspondent relationships. Foreign international carriers have domestic mobile affiliates in virtually all countries where AT&T is charged a higher rate for mobile traffic and for which AT&T was able to obtain the information

---

[121] *Id.*, ¶ 312.

[122] *Id.*, ¶ 281.

[123] *Cable & Wireless,* 166 F.3d at 1229-30.

[124] *Benchmarks Order*, ¶ 86.

to make this analysis. As shown by Attachment A, AT&T's analysis of 110 countries with mobile surcharges shows that foreign international carriers have mobile affiliates in 104 (95 percent) of these countries and frequently have 100 percent ownership of these affiliates. AT&T also undertaken a similar analysis of the foreign international carriers with which it has bilateral correspondent relationships and that charge mobile rates. AT&T determined that 118 (80 percent) of AT&T's 149 foreign correspondent carriers in the 97 countries for which information is available to make this analysis have domestic mobile affiliates.

For these foreign international carriers, the termination rate charged by their domestic mobile affiliate is no different from the $0.29 local interconnection charge for incoming international calls by Hong Kong Telecom that notably failed to persuade the D.C. Circuit that the $0.15 benchmark rate for Hong Kong was below cost. In response to petitioners' claim that the benchmark failed to compensate HKTI (the international carrier) for this government-mandated local charge, the court noted that because HKTI and Hong Kong Telecom are owned by the same company, "[t]he $0.29 per minute charge is therefore simply a 'left pocket-right pocket' transaction between two subsidiaries of the same company."[125]

Moreover, the mobile affiliates of the foreign international carriers often play an important, if not dominating, role in establishing termination rate levels for all mobile carriers in those markets. Based on AT&T's estimates, mobile carriers affiliated with foreign international carriers control a majority of the market in about two-thirds of the 105 countries and possess significant market shares in many more.

Even in Europe, where retail mobile markets are generally more competitive than in other

---

[125] *Cable & Wireless*, 166 F.3d at 1233.

countries (but still much less competitive than the U.S. mobile market), the leading mobile carriers play a dominant role. The Commission stated in the *Eighth CMRS Report* that "mobile markets in Europe are typically dominated by the top two mobile operators," which "control more than 70 percent of all mobile markets in virtually all Western European mobile markets except the UK, and in the majority of these markets they control more than 80 percent of all mobile subscribers."[126] The Commission further noted that "analysts agree that mobile markets in Western Europe are both structurally and behaviorally less competitive than the U.S. mobile market."[127] As a result of such market structures, both in Europe and elsewhere, except in some countries where regulators have taken action to limit rates, the largest mobile carriers often set the price umbrella for termination rates.

What's more, the foreign carrier with whom AT&T interconnects is not, in many cases, simply passing along the rate charged by its mobile affiliate. The foreign correspondent oftentimes adds an additional increment to its affiliate's charge – extracting a margin for itself as it imposes the excessive mobile termination charge on U.S. carriers and their customers. This "margin stacking" by the foreign correspondent further inflates the already excessive mobile termination rate and exacerbates the impact on U.S. customers.

VI. AT&T'S R-TCP STUDY PROVIDES A REASONABLE FRAMEWORK FOR COMMISSION ACTION ON FOREIGN MOBILE TERMINATION RATES.

The Notice (¶ 27) asks for comment on whether AT&T's R-TCP study provides a reasonable framework for the assessment of foreign mobile rates. As the Notice describes (¶ 25),

---

[126] *Eighth CMRS Report*, ¶ 200.

[127] *Eighth CMRS Report*, ¶ 198.

the study is modeled on the methodology used in the *Benchmarks Order* and is largely based on foreign carrier tariffs for the network components that are used to terminate U.S. international calls on foreign mobile networks. The use of an international call termination cost ceiling based on foreign carrier tariffs for the relevant network components is also similar to the cost modeling approach upheld by the WTO panel in the recent U.S.-Mexico telecom case.[128] The R-TCP study, which was filed with the Commission in February 2004, clearly demonstrates the excessive and unreasonable nature of foreign mobile termination rates in many countries and should be used as the basis of new benchmarks for mobile termination.

1. The R-TCP Study Provides a Conservative Cost Ceiling for International Call Termination on Foreign Mobile Networks.

AT&T's study uses the same three ITU-recognized network components for international call termination – international transmission, international switching and national extension in the foreign country – that were used by the *Benchmarks Order*.[129] International transmission costs are based on foreign carrier international private line tariffs for each country and international switching is based on a very conservative estimated cost ceiling of 0.5 cents per minute.[130] Costs for the transport of calls in the foreign country from the international switch to the foreign mobile (or fixed) network operator's switch are based on foreign domestic private line tariffs for each country.[131]

---

[128] *WTO Panel Decision*, ¶ 7.191.

[129] Letter and attachments dated February 5, 2004 to Marlene Dortch, FCC, from Douglas Schoenberger, AT&T, IB Docket No. 02-324 ("AT&T R-TCP Study").

[130] *Id.*, Attachment at 2-4.

[131] *Id.*, Attachment at 5-8.

AT&T's R-TCP study calculates separate benchmarks for termination on both fixed and mobile networks in each country and the cost elements described thus far are identical for both fixed and mobile termination. One demonstration of the conservative nature of AT&T's methodology is provided by the fact that AT&T's fixed termination rates in a number of liberalized countries are now less than half the 4-cent 65-country average rate for fixed termination and also are below the relevant country-specific rates shown by the study.

The cost for termination on the foreign mobile network is calculated by using the foreign domestic mobile operator's own tariffed rate for mobile-to-mobile on-net calls originated by its own retail subscribers.[132] One half of this rate is used as a cost surrogate because the full tariffed rate covers both call origination and call termination on the mobile network and international call termination requires only call termination functions. As call termination does not require the signaling and billing functions required for call origination, the cost of call termination is likely less than call origination and the use of one half of the rate provides a generous cost surrogate for these mobile network functions.

Ovum similarly recommends in a 2004 report that a "market proxy" for "the cost of mobile call termination may be estimated as . . . 50% of the price of a mobile on-net call."[133] However, Ovum cautions that the relevant price should be established in a fully competitive market, which does not exist in most countries.[134] Similar concerns led the Commission to base

---

[132] *Id.*, Attachment at 7.

[133] *Ovum Report*, at 32.

[134] *Id.*

its international settlement rate benchmarks on TCP averages.[135] The Commission noted that TCPs based on foreign carrier tariffs necessarily incorporated inefficiencies in those tariffs resulting from monopoly carrier pricing, and that averaging TCPs would mitigate the effect of those inefficiencies.[136] For these reasons, the averaging approach should continue here. Moreover, the fact that the on-net mobile prices used in the R-TCP study are established in foreign domestic mobile markets that are far from fully competitive demonstrates that benchmarks based on those prices still include a generous above-cost margin. Indeed, both the Commission and foreign regulators have emphasized that foreign mobile markets are not effectively competitive.[137]

The R-TCP study also adjusts for retail costs such as marketing, advertising, and billing and collection, that are included in tariffed prices for retail services but are not used for international call termination.[138] The study applies a 16 percent avoided retail cost discount, which is the approach taken by the New Zealand regulator to wholesale access pricing.[139] This

---

[135] *Benchmarks Orde*r, ¶ 91.

[136] *Id.*

[137] *See, e,g., Eighth CMRS Report*, ¶¶198, 201 ("One analyst posits that pricing behavior in some European markets is consistent with an 'umbrella pricing' model.") & ¶ 203 (a comparison between mobile pricing in the U.S. and the UK, "widely regarded as the most competitive large mobile market in Western Europe," shows a significant pricing differential); *ACCC Final Decision*, at 122 ("the Commission takes the view that the retail mobiles market is not effectively competitive at the present time"); *New Zealand Draft Report*, at 51 (finding "limited evidence of price competition, with retail prices static over long periods, and high compared to other OECD countries").

[138] AT&T R-TCP Study, Attachment at 8.

[139] *Id.*; New Zealand Commerce Commission, Decision 497, *Determination on the TelstraClear Application for Determination for 'Wholesale Designated Access Services*,' May 12, 2003.

discount is lower than other authorized wholesale cost discounts.[140]

2. The Additional Cost of International Call Termination on Foreign Mobile Networks Is No Higher Than 4 Cents.

AT&T's study covers all the foreign termination cost elements for international calls terminating on mobile networks – international transmission, international switching, domestic transport and termination on the foreign mobile network. This reflects the manner in which AT&T is charged for this traffic by its foreign international correspondents, which do not identify the portions of their charges that cover each network element used to provide termination services.

Because the total rates for mobile termination calculated in the R-TCP study include all the cost elements for these international calls, they are not directly comparable to the mobile termination rates charged by foreign mobile operators. *See* Notice, ¶ 28. Instead, only the mobile national extension component of the R-TCP study, which is the cost for termination on the foreign mobile network, should be used for this comparison. AT&T's study, as summarized in Attachment C, shows a 65-country average for this component of about 5 cents. However, the cost of fixed termination services that are not required for mobile-terminated calls should also be accounted for by subtracting the fixed local network component of AT&T's R-TCP study (which is a 65-country average of approximately 1 cent, as shown by column A of Attachment C) from the mobile national extension component.[141] This produces an additional mobile termination cost

---

[140] *See IDA Enhances Competition in Singapore's Local Leased Circuits (LLC) Markets*, Dec. 16, 2003 (requiring Singapore Tel to offer private lines to competitors at 30 to 50 percent below retail rates). *Cf., Local Competition Order*, ¶ 932 (authorizing interim wholesale discount for resold local interconnection services of 17-25 percent); 47 C.F.R. Section 51.611.

[141] The additional amount charged for mobile terminated traffic cannot be derived by subtracting

(Footnote continued on next page)

ceiling of about 4 cents. *See* Attachment C.

3. The R-TCP Approach Provides a Fair and Reasonable Mobile Benchmark Methodology.

In applying its longstanding goals of more cost-based settlement rates to mobile-terminated calls, the Commission should ideally seek to approximate the costs that would exist in a competitive marketplace by requiring these rates to be based on forward-looking economic cost ("FLEC").[142] However, as the Commission determined with respect to international settlement rates in 1997, the foreign carrier data that would be required to establish FLEC-based rates is not available at this time and such data may not be made available in the future.[143] Accordingly, the Commission is clearly authorized to establish mobile termination benchmarks in the absence of such data by using an alternative method.[144]

The Commission successfully resolved this issue in 1997 by establishing benchmarks based on foreign carrier tariffed prices for the network elements used to terminate U.S. international calls, and the R-TCP study is modeled on this approach. The WTO Dispute Settlement Panel approved a similar methodology in its 2004 decision upholding the U.S.

(Footnote continued from previous page)

the correspondent's fixed traffic charge from the charge for mobile traffic because this calculation does not take account of the local fixed network termination costs that are included in the fixed traffic charge but that are not incurred when calls terminate on mobile networks.

[142] *See Review of the Commission's Rules Regarding the Pricing of Unbundled Network Elements and the Resale of Service by Incumbent Local Exchange Carriers*, Notice of Proposed Rulemaking, 18 FCC Rcd. 18945, ¶¶ 32, 37 (2003); *Benchmarks Order*, ¶ 41.

[143] *See id.*, ¶ 51 ("The majority of commenters recognize the dilemma posed by the Commission that, on the one hand, settlement agreements should contain settlement rates that are cost-based, but on the other, the data necessary to calculate costs for each foreign carrier are not available.")

[144] *See Cable & Wireless,* 166 F.3d at 1232-33.

complaint that Mexico failed to comply with its WTO Reference Paper obligation to ensure that Telmex, Mexico's "major supplier" carrier, provided interconnection services for international calls at cost-oriented rates. The U.S. contended in that dispute that the Mexican domestic prices for the network components used to terminate U.S. calls constituted a "cost-ceiling" for those services.[145] The WTO Panel agreed that it was "justified to presume that the aggregate price charged by Telmex for the use of network components, when used for purely domestic traffic, is an indication of the cost-oriented rate . . . for the use of these same network components in terminating an international call."[146]

Lastly, the Notice (¶ 39) asks whether all countries should be subject to a single cost standard. Under the *Benchmarks Order*, less developed countries, which generally charged much higher settlement rates than developed countries, are subject to higher benchmarks and more lengthy transition periods. However, as the Notice describes (n.110), some of the highest mobile termination rates are charged by high-income countries. In addition, unlike the original TCP methodology used in the *Benchmarks Order*, which showed progressively higher average benchmark rates at lower levels of economic development, the R-TCP methodology shows very similar average rates at all development levels, except for countries with teledensity under one.[147] In the absence of the significant differences in the cost model that provided the basis for the different benchmark rates in 1997, a single mobile benchmark rate should be adopted for all

---

[145] WTO Panel Decision, ¶ 7.189.

[146] *Id.*, ¶ 7.191.

[147] *See* Attachment C (showing average mobile incremental rates of 3.97 cents for high income countries, 4.27 cents for middle income countries, 3.53 cents for low income countries, and 4.57 cents for countries with teledensity under one).

countries, with the possible exception of countries with teledensity under one, and any additional flexibility should be provided in the form of additional transition time.

CONCLUSION

For the reasons set forth above, the Commission should take urgent action to address the unreasonable, above-cost termination charges for U.S. international calls to many foreign mobile networks. Specifically, the Commission should immediately commence a rulemaking to establish new international settlement rate benchmarks for mobile termination modeled on the R-TCP rates submitted by AT&T.

Respectfully submitted,

AT&T CORP.

By /s/ James J. R. Talbot

Leonard J. Cali
Lawrence J. Lafaro
James J. R. Talbot

1120 20th Street, N.W.
Washington, D.C. 20036
(202) 457-2131

Dated: January 14, 2005

FOREIGN INTERNATIONAL CARRIERS WITH MOBILE AFFILIATES

Attachment A

	Country	Foreign International Carriers with Mobile Affiliates	Carriers with Presumed Market Power per FCC[1]	Name of Mobile Carrier/Affiliate	Ownership Percentage
1	Algeria	Algerie Telecom (PTT-AE)	Yes	Mobilis	100%--wholly owned subsidiary
2	Anguilla	C&W Ltd.	Yes	C&W	100%
3	Argentina	Telefonica de Argentina	Yes	Telecom Personal	100%
4	Armenia	Armenia Tele. Co.[Armentel]	Yes	Armentel	100%--monopoly market--Armentel is 90% owned by OTE and 10% owned by the Gov't.
5	Aruba	Setar		Setar	100%
6	Australia	SingTel Optus [Optus]		Optus Mobile	100%
6	Australia	Reach Global Services Limited (Reach-Telstra)	Yes	Telstra Mobile	50%--Reach is 50% owned by Telstra
7	Austria	Post and Telekom Austria AG [Post & Tel]	Yes	Mobilkom Austria	100%
8	Azerbaijan	Aztelecom	Yes	Azercell	37% --63% owned by Fintur and 37% owned by Ministry of Communications
9	Bahrain	Batelco	Yes	MobilePlus	100%
10	Barbados	Barbados External Telecommunication [Bet]	Yes	C&W	100%
11	Belgium	Belgacom S.A.	Yes	Belgacom Mobile (Proximus)	75%
12	Belize	Belize Telecommunications LTD.	Yes	Digicell	100%
13	Bolivia	Entel [Empresa Nacional De Telecomunicaciones (Empresa)]	Yes	Entel Movil	100%--Entel, 50% owned by Telecom Italia, with the remaining 50% distributed, owns 100% of Entel Movil.
14	Bosnia	Ministry of Communications (PTT BB) -BH Telekom and Telekom Srpske	Yes	GSM Bosnia (subsidiary of BH Telekom) and Mobi (subsidiary of Telekom Srpske)	100%
15	Brazil	Empresa Brasileira De Telecomunicacoes S.A. (Embratel). Embratel is the Brazilian arm of Telmex	Yes	Relationship with Telmex controlled mobile operator Claro	N/A
15	Brazil	Telemar		Oi	100%--"Mobile arm"
15	Brazil	Telecomunicacoes de Sao Paulo S.A. (Telesp). Telesp is the Bazilian arm of Telefonica		Telesp Celular--a subsidiary of Vivo which is a 50-50 JV between Telefonica Moviles and Portugal Telecom	N/A
16	Brunei	DSTCOM (Brunei Dst)		Brunei Dst	100%
17	Bulgaria	Bulgarian Telecommunications Co. Ltd (Tel Co Ltd)	Yes	RTC Mobikom	39%
18	Cayman Island	C&W Ltd.	Yes	C&W	100%
19	Chile	Telefonica CTC Chile [Compania de Telefonos de Chile (CTC Mundo)]	Yes	Telefonica Movil de Chile--meging with BellSouth Chile--will operate under Movistar brand	100%
19	Chile	Entel [Empresa Nacional De Telecomunicaciones (Empresa)]		Entel PCS	100%
20	Colombia	Empresa De Telecommunicaciones de Bogata (ETB)	Yes	Columbia Movil	50%--JV between ETB and EPM
21	Costa Rica	Instituto Costariccense de Electricidad (ICE)	Yes	ICE Celuar	100%
22	Croatia	Hrvatski Telekom [HTP Croatian Post and Telecomunications (HPT)]	Yes	HTmobile	100%
23	Cyprus	Cyprus Telecommunications Authority-CYTA (Tel Auth)	Yes	CYTA	100%
24	Czech Rep.	Cesky Telecom (CTI)		EuroTel Praha	100%
25	Denmark	TDC Carrier Service (Telecom Denmark)	Yes	TDC Mobil	100%
26	Dominica	C&W LTD.	Yes	C&W	100%
27	Dominican Republic	All America Cables and Radio (AAC&R)		AAC&R	100%
27	Dominican Republic	Telepuerto San Isidro/Tricom (Tricom)		Tricom	100%
27	Dominican Republic	Codetel--Note: rebranded itself as Verizon--100% owner	Yes	Codetel	100%

FOREIGN INTERNATIONAL CARRIERS WITH MOBILE AFFILIATES

Attachment A

	Country	Foreign International Carriers with Mobile Affiliates	Carriers with Presumed Market Power per FCC[1]	Name of Mobile Carrier/Affiliate	Ownership Percentage
28	Ecuador	Andinatel and Pacifictel (state owned telcos)	Yes	Telecsa (JV between state owned Andinatel and Pacifictel--but managed by Sweden's Swedtel)--started in 12/03	50%
29	El Salvador	Compania De Telecomunicaciones of El Salvador (CTE Telecom)	Yes	CTE Telecom Personal (America Movil now has a 41.54% stake in CTE and now controls 94.4% of CTE)	100%
30	Estonia	EESTI Telekon [Elion Ettevotted Aktsiaselts		Eesti Mobiiltelefon (EMT)	100%
31	Finland	Finnet International Ltd		Radiolinja	100%--wholly owned by Elisa Communications--largest member of the Finnet Group.
31	Finland	Finland Sonera Corp	Yes	Sonera mBusiness (TeliaSonera?)	52.80%
32	France	Cegetel(Telecom Developpment)--TD merged into Cegetel		SFR	65%--SFR owns 65% of Cegetel
32	France	France Telecom World Wide Networks and Services	Yes	Orange	100%
33	Germany	T Systems International	Yes	T-Mobil	100%
34	Ghana	Posts and Telecommunications Corporation [Ghana Telecom (GPTC)]	Yes	Ghana Telecom Mobile	100%
34	Ghana	Westel Ghana		Westel	100%
35	Gibraltar	Gibraltar Telecom International LTD (Gibtel)		Gibtel	N/A
36	Greece	Hellenic Telecommunications Organization S.A. (OTE)	Yes	COSMOTE	59%
37	Guadeloupe	France Telecom Worldwide Networks and Services (France Telecom)		Orange Caribe--Orange has a 100% shareholding in Orange France which owns Orange Caribe	N/A
38	Guatemala	Telecomunicaciones de Guatemala (Telgua)	Yes	Sercom	100%
39	Haiti	Haitel SA		Haitel	100%
39	Haiti	Telecommunication D'Haiti (Teleco)	Yes	Teleco	100%
40	Hong Kong	Hong Kong Telecom	Yes	HKT CSL	100%
40	Hong Kong	New World TelecommunicationsLTD. (New World)		New World Mobility LTD.	100%
41	Hungary	Magyar Tavkozlesi Rt (Matav)	Yes	Westel Mobile	100%
42	Iceland	Iceland Telecom [Direction Generale Des Postes Et Telecom(PTT-IC)]		Iceland Telecom Mobile (Siminn Mobile)	100%
43	India	Bharti Infotel Limited (Bharti Telesonic)		Aircel	100%
43	India	Videsh Sanchar Nigam, LTD. (VSNL)	Yes	Tata Teleservices	25%
44	Indonesia	PT Indonesia Satellite Corp. (Indosat)[Indosat sold to Singapore Telemedia Technologies (STT) in 2002]	Yes	Satelindo [merging with IM3--both are owned by Indosat]	100%
45	Israel	Bezeq International	Yes	Pelephone	50%--but is now free to own 100%
46	Italy	Telecom Italia	Yes	Telecom Italia Mobile	56.0%
46	Italy	Wind Telecom SPA		Wind	100% --Wind provides both fixed and mobile services. Wind is owned by Enel Investment Holding (65.3%) and Italian electricity company Enel (34.7%)
47	Jamaica	C&W Jamaica LTD	Yes	C&W Jamaica	82%
47	Jamaica	Digicel Jamaica LTD		Digicel--Digicel is the foreign correspondent and the mobile affiliate	100%

FOREIGN INTERNATIONAL CARRIERS WITH MOBILE AFFILIATES

Attachment A

	Country	Foreign International Carriers with Mobile Affiliates	Carriers with Presumed Market Power per FCC[1]	Name of Mobile Carrier/Affiliate	Ownership Percentage
48	Japan	DDI Corporation		au Corporation and TU-KA Group	100%--au Corporation is wholly owned by KDDI; KDDI owns an average of 58.6% in the three TU-KA operating companies
48	Japan	Japan NTT	Yes	NTT Do Co Mo	63%-NTT Communications and NTT Do Co Mo are subsidiaries of NTT Holdings. NTT Communications owns 62.97% of NTT Do Co Mo.
49	Jordan	Jordan Telecommunications Company (JCC)	Yes	MobileCom	100%--subsidiary
50	Kazakhstan	Kazak Telecom (Kazahtel)	Yes	K-Cell and Altel	Altel is 50% owned; and K-Cell is a JV between FinTur(51%), which is itself owned by Sonera (58.55%) and Turkcell (41.45%), and Kazakhtelecom (49%).
51	Kenya	Telkom Kenya [formerlyKPT Corp.]	Yes	Safaricom	50%
52	Korea	Data Communications Corporation of Korea (Dacom)		LG Telecom-- a sister company under LG Group which owns Dacom	30%
52	Korea	Sk Telink		SK Telecom which is SK Telink's mother company	100%
52	Korea	Korea Telecommunications Authority (Telecom)	Yes	KTF Corp.--a subsidiary or unit of KT	47%
53	Latvia	Latvian Telecom (Lattelekom)	Yes	Latvian Mobile Telecom (LMT)	23%
54	Lebanon	Lebanon Ministry of Post and Telecommunications [Liban Telecom]	Yes	Libancell and Cellis	100%--both carriers are controlled by the Ministry of Post and Telecommunications under build-operate-transfer (BOT) licences.
55	Lithuania	Lietuvos Telekomas [Lithuania Lituvos Telekomas SE (Lietuvos)]	Yes	Omnitel	Omnitel is wholly owned by Teliasonera -- which holds a 60% stake in Lithuanian Telecom
56	Luxembourg	Postes Et Telecommunications Divisions Des Telecommunications	Yes	LuxGSM	100%
57	Macedonia	Makedonski Telekomunikacii [PTT Macedonia-Skopje]	Yes	MobiMak	100%
58	Malaysia	Celcom	Yes	Celcom	100%
58	Malaysia	Digi Telecom	Yes	Digi.com	N/A
58	Malaysia	Maxia Int'L SDN (Maxis Int)	Yes	Maxis Mobile	100%
58	Malaysia	Telekom Malaysia	Yes	Celcom	100%
59	Malta	Maltacom [Telemalta Corporation]	Yes	MobIsle Communications (Go Mobile)	100%
60	Martinique	France Telecom		Orange Caribe--Orange has a 100% shareholding in Orange France which owns Orange Caribe	N/A
61	Mauritius	Mauritius Telecom	Yes	Cellplus	100%
62	Monaco	Monaco Telecom Intl.(Direction Generale Des Postes Et Des Telecommunications)		Monacell	N/A
63	Morocco	Office National Postes Et Telecommunications (Onpt)	Yes	Maroc Telecom	100%--wholly state owned
64	Namibia	Telecom Namibia	Yes	Mobile Telecommunications (MTC)	51%
65	Netherlands	KPN International [PTT Telecom Netherlands)]	Yes	KPN Mobile	85%
66	Netherland Antilles	Antelecom	Yes	Antelecom	N/A
67	New Zealand	TelstraClear		TelstraClear--building its own mobile network	58.4%--owned by Telstra
67	New Zealand	Telecom Corporation of New Zealand (TCNZ)	Yes	Telecom New Zealand (Telecom Mobile)	100%
68	Nigeria	Nigeria Telecommunications LTD. (Nitel)	Yes	M-Tel	100%

FOREIGN INTERNATIONAL CARRIERS WITH MOBILE AFFILIATES

Attachment A

	Country	Foreign International Carriers with Mobile Affiliates	Carriers with Presumed Market Power per FCC[1]	Name of Mobile Carrier/Affiliate	Ownership Percentage
69	Norway	Telenor Global Services	Yes	Telenor Mobile	100%
70	Pakistan	Pakistan Telecommunications	Yes	Ufone	100%
71	Panama	Instituto Nacional De Telecomunicaciones (Panama C&W)	Yes	C&W Movil	100%
72	Peru	Telefonica	Yes	Telefonica Moviles	98%
73	Philippines	Globe Telecom		Globe Telecom (including Islacom)	100%
73	Philippines	Digitel Communications Philippines [PH Digitel]		Digitel (Sun Cellular)	100%----Sun Cellular is a division of Digitel
73	Philippines	Philippines Long Distance Telephone Company (PLDT)	Yes	Smart Communications	100%--wholly owned subsidiary
74	Poland	Telekomunikacje Polska (Telekom)	Yes	Centertel	66.00%
75	Portugal	PT Comunicacoes (formerly Marconi)		TMN	100%
76	Reunion	Government of Reunion Island (PTT-RN)-France Telecom	Yes	France Telecom	N/A
77	Romania	ROMTelecom	Yes	Cosmorom	100%
78	Saudi Arabia	Saudi Telecommunications Company(STC)	Yes	STC	100%
79	Senegal	Societe Nationale Des Telecommunications du Senegal (Sonatel)	Yes	Sonatel Mobiles (Alize)	N/A
80	Serbia	Telekom Srbija (CY PTT)[Serbia Telecom]	Yes	Mobilna Telefonia Srbije (MTS) and Mobtel which is 49% owned by Telekom Srbija's state parent company, PTT Serbia.	100%--operates as a "division"--not as a separate entity. Telecom Srbija--owned 80% by PTT Serbia and 20% by OTE of Greece.
81	Singapore	Singapore Telecom (SingTel)	Yes	SingTel Mobile	100%
82	Slovak Rep.	Slovak Telecommunications	Yes	EuroTel Bratislava	100%
83	Slovenia	Telekom Slovenije	Yes	Mobitel	100%
84	Spain	Telefonica De Espana S.A.	Yes	Telefonica MovilesEspana	100%
85	St. Kitts	C&W LTD.	Yes	C&W	100%
86	St. Lucia	C&W LTD.	Yes	C&W	100%
87	St. Pierre	Government of St. Pierre and Miquelon Islands [France Telecom (PTT-PM)]		France Telecom	N/A
88	St. Vincent	C&W LTD.	Yes	C&W	100%
89	South Africa	Telekom SA	Yes	Vodacom	50%
90	Sweden	Tele2		Tele2Mobil and Comviq	100%
90	Sweden	TeliaSonera [Telia]	Yes	Telia Mobile	100%
91	Switzerland	Swisscom PTT	Yes	Swisscom Mobile	Swisscom-75% and Vodafone 25%
92	Taiwan	Chunghwa Telecom (CHT-I)	Yes	Chunghwa Telecom	81.41%-Chunghwa and TCC (13.5%)
92	Taiwan	Taiwan Fixed Network		Taiwan Cellular (TCC)	9%
93	Tanzania	Tanzania Telecommunications Corporation LTD (TTCL)	Yes	CellNet Mobile	100%
94	Thailand	CAT		Hutchison-CAT	30%
95	Tunisia	Tunisie Telecom	Yes	Tunicell	100%
96	Turkey	Turk Telekomunikasyon (Telekom AS)	Yes	Aycell--Arycell and Aria have merged into Avea (2/04)	40%
97	Uganda	Ucom, formerly UgandaTelecom [Uganda Post and Telecommunications Corporation]	Yes	UTL Telecel	50%
98	Uruguay	Administracion National de Telecommunicaciones (Antel)	Yes	Ancel	100%
99	Uzbekistan	Uzbektelecom	Yes	Uzmacom and U-Tel	Uzbektelecom holds a 35% stake in Uzmacom; Uzbektelekom is a shareholder of U-Tel
100	Venezuela	Compania Nacional Annima Elefons De Venezuela (CANTV)	Yes	Movilnet	100%
101	Vietnam	Vietel-Vietnam Electronic and Communications Co. (unit of the military)		Vietel--uncertainty regarding whether company is operational	100%

FOREIGN INTERNATIONAL CARRIERS WITH MOBILE AFFILIATES

Attachment A

	Country	Foreign International Carriers with Mobile Affiliates	Carriers with Presumed Market Power per FCC[1]	Name of Mobile Carrier/Affiliate	Ownership Percentage
101	Vietnam	Viet Nam Post and Telecommunications Corporation (VNPT)	Yes	Vinaphone--[Note:MobiFone -the leading player--is operated by the VNPT subsidiary, Vietnam Mobile Telecom Services (VMS), in partnership with Comvik of Sweden (part of Millicom International Cellular) under a BCC arrangement	100%
102	Western Samoa	Samoa Tel [Post and Telecommunications Department]	Yes	Telecom Samoa Cellular LTD	10% owned by Gov't of Samoa and TCNZ through a NZ wholly owned subsidiary company, Telecom Pacific Investments LTD (90%)
103	Yemen	Yemen International Telecommunications Company (Teleyemen)	Yes	Teleyemen--Teleyemen is run by France Telecom under a 5 year management contract--state now has full ownership	100%
104	Zimbabwe	Zimbabwe Posts and Telecommunications Corporation (ZPTC)	Yes	Net One	100%

Total Countries=104
Total Carriers=130
Countries with Market Power=92
N/A--information not available
1See http://hraunfoss.fcc.gov/edocs_public/attachmatch/DA-04-1584A1.pdf

This study lists the domestic mobile carrier affiliations of foreign international carriers in the 110 countries in which AT&T is charged a separate rate for international calls terminating on mobile networks and for which AT&T was able to obtain sufficient information to make this analysis. No such mobile carrier affiliations were identified in the following countries: Albania, Andorra, Georgia, Ireland, Paraguay & United Kingdom

Countries Where AT&T Pays Higher Rates For Mobile Termination

Attachment B

26

February 2001
Australia
Austria
Belgium
Brazil
Chile
Denmark
Finland
France
Germany
Hungary
Ireland
Israel
Italy
Japan
Korea, Republic of
Netherlands
New Zealand
Norway
Portugal
Spain
Sweden
Switzerland
Taiwan
United Kingdom
Vatican City
Venezuela

30

April 2001
Australia
Austria
Belgium
Brazil
Chile
Denmark
Estonia
Finland
France
Germany
Hungary
Ireland
Israel
Italy
Japan
Korea, Republic of
Latvia
Luxembourg
Netherlands
New Zealand
Norway
Peru
Portugal
Spain
Sweden
Switzerland
Taiwan
United Kingdom
Vatican City
Venezuela

55

April 2002
Andorra
Australia
Australia
Austria
Belgium
Bolivia
Brazil
Chile
Congo, Democratic Republic of
Croatia
Cyprus
Czech Republic
Denmark
Estonia
Finland
France
French Antilles
French Guiana
Germany
Greece
Guadeloupe
Haiti
Hungary
Iceland
Indonesia
Ireland
Israel
Italy
Japan
Jordan
Korea, Republic of
Latvia
Lebanon
Luxembourg
Malaysia
Monaco
Morocco
Netherlands
Netherlands Antilles
New Zealand
Norway
Panama
Paraguay
Peru
Philippines
Poland
Portugal
Reunion Island
Slovakia
Slovenia
South Africa
Spain
Sweden
Switzerland
Taiwan
United Kingdom
Vatican City
Venezuela

64

December 2002
Algeria
Andorra
Australia
Austria
Belgium
Bolivia
Brazil
Bulgaria
China
Congo, Democratic Republic of
Croatia
Cyprus
Czech Republic
Denmark
Ecuador
Egypt, Arab Republic of
El Salvador
Estonia
Finland
France
French Antilles
French Guiana
Germany
Ghana
Greece
Guadeloupe
Haiti
Hungary
Iceland
Indonesia
Ireland
Israel
Italy
Japan
Jordan
Korea, Republic of
Latvia
Lebanon
Luxembourg
Malaysia
Monaco
Morocco
Netherlands
Netherlands Antilles
New Zealand
Norway
Panama
Paraguay
Peru
Philippines
Poland
Portugal
Reunion Island
Romania
Slovakia
Slovenia
South Africa
Spain
Sweden
Switzerland
Taiwan
United Kingdom
Vatican City
Venezuela

77

January 2003
Algeria
Andorra
Australia
Austria
Belgium
Bolivia
Brazil
Brunei
Bulgaria
China
Colombia
Congo, Democratic Republic of
Croatia
Cyprus
Czech Republic
Denmark
Ecuador
Egypt
El Salvador
Estonia
Finland
France
French Antilles
French Guiana
Georgia
Germany
Ghana
Gibraltar
Greece
Guadeloupe
Guatemala
Haiti
Hungary
Iceland
Indonesia
Ireland
Israel
Italy
Jamaica
Japan
Jordan
Korea, Republic of
Latvia
Lebanon
Lithuania
Luxembourg
Macedonia
Malaysia
Mayotte Island
Monaco
Morocco
Netherlands
Netherlands Antilles
New Zealand
Norway
Panama
Paraguay
Peru
Philippines
Poland
Portugal
Reunion Island
Romania
Sierra Leone
Slovakia
Slovenia
South Africa
Spain
St. Pierre & Miquelon
Sweden
Switzerland
Taiwan
Tanzania
Turkey
United Kingdom
Vatican City
Venezuela
Yemen

81

February 2003
Algeria
Andorra
Argentina
Australia
Austria
Belgium
Bolivia
Bosnia-Hercegovena
Brazil
Brunei
Bulgaria
Chile
China
Colombia
Croatia
Cyprus
Czech Republic
Denmark
Ecuador
Egypt
El Salvador
Estonia
Finland
France
French Antilles
French Guiana
Georgia
Germany
Ghana
Gibraltar
Greece
Guadeloupe
Guatemala
Haiti
Hungary
Iceland
India
Indonesia
Ireland
Israel
Italy
Jamaica
Japan
Jordan
Korea, Republic of
Latvia
Lebanon
Lithuania
Luxembourg
Macedonia
Malaysia
Mayotte Island
Monaco
Morocco
Netherlands
Netherlands Antilles
New Zealand
Norway
Panama
Paraguay
Peru
Philippines
Poland
Portugal
Reunion Island
Romania
Sierra Leone
Slovakia
Slovenia
South Africa
Spain
St. Pierre & Miquelon
Sweden
Switzerland
Taiwan
Turkey
United Kingdom
Vatican City
Venezuela
Yemen
Zimbabwe

92

January 2004
Algeria
Andorra
Argentina
Armenia
Australia
Austria
Barbados
Belgium
Belize
Bolivia
Bosnia-Hercegovena
Brazil
Brunei
Bulgaria
Chile
China
Colombia
Croatia
Cyprus
Czech Republic
Denmark
Dominican Republic
Ecuador
El Salvador
Estonia
Finland
France
French Antilles
French Guiana
Georgia
Germany
Ghana
Gibraltar
Greece
Guadeloupe
Guatemala
Haiti
Hungary
Iceland
India
Indonesia
Ireland
Israel
Italy
Jamaica
Japan
Jordan
Kazakhstan
Korea, Republic of
Latvia
Lebanon
Liechtenstein
Lithuania
Luxembourg
Macedonia
Malaysia
Mayotte Island
Monaco
Morocco
Namibia
Netherlands
Netherlands Antilles
New Zealand
Nicaragua
Norway
Panama
Paraguay
Peru
Philippines
Poland
Portugal
Reunion Island
Romania
Senegal
Sierra Leone
Slovakia
Slovenia
South Africa
Spain
St. Pierre & Miquelon
Sweden
Switzerland
Taiwan
Turkey
Uganda
United Kingdom
Uruguay
Vatican City
Venezuela
Yemen
Yugoslavia
Zimbabwe

98

April 2004
Algeria
Andorra
Argentina
Armenia
Australia
Austria
Barbados
Belgium
Belize
Bolivia
Bosnia-Hercegovena
Brazil
Brunei
Bulgaria
Chile
China
Colombia
Croatia
Cyprus
Czech Republic
Denmark
Dominica
Dominican Republic
Ecuador
Egypt
El Salvador
Estonia
Finland
France
French Antilles
French Guiana
Georgia
Germany
Ghana
Gibraltar
Greece
Grenada
Guadeloupe
Guatemala
Haiti
Hong Kong
Hungary
Iceland
India
Indonesia
Ireland
Israel
Italy
Jamaica
Japan
Jordan
Kazakhstan
Korea, Republic of
Latvia
Lebanon
Lithuania
Luxembourg
Macedonia
Malaysia
Malta
Mayotte Island
Monaco
Morocco
Namibia
Netherlands
Netherlands Antilles
New Zealand
Nicaragua
Norway
Panama
Paraguay
Peru
Philippines
Poland
Portugal
Reunion Island
Romania
Senegal
Sierra Leone
Slovakia
Slovenia
South Africa
Spain
St. Lucia
St. Pierre & Miquelon
St. Vincent & The Grenadines
Sweden
Switzerland
Taiwan
Turkey
Uganda
United Kingdom
Uruguay
Vatican City
Venezuela
Yemen
Yugoslavia
Zimbabwe

127

July 2004
Albania
Algeria
American Samoa
Andorra
Angola
Argentina
Armenia
Aruba
Australia
Austria
Azerbaijan
Bahrain
Barbados
Belgium
Belize
Bolivia
Bosnia-Hercegovena
Brazil
Brunei
Bulgaria
Cameroon
Cayman Island
Chile
China
Colombia
Congo, Democratic Republic of
Congo, Republic of
Croatia
Cyprus
Czech Republic
Denmark
Dominica
Dominican Republic
Ecuador
Egypt
El Salvador
Estonia
Finland
France
French Antilles
French Guiana
Gabon Republic
Gambia
Georgia
Germany
Ghana
Gibraltar
Greece
Grenada
Guadeloupe
Guatemala
Haiti
Honduras
Hong Kong
Hungary
Iceland
India
Indonesia
Ireland
Israel
Italy
Ivory Coast
Jamaica
Japan
Jordan
Kazakhstan
Kenya
Korea, Republic of
Kuwait
Latvia
Lebanon
Liberia
Lithuania
Luxembourg
Macedonia
Malaysia
Mali
Malta
Mauritania
Mayotte Island
Monaco
Morocco
Myanmar
Namibia
Netherlands
Netherlands Antilles
New Zealand
Nicaragua
Nigeria
Norway
Panama
Paraguay
Peru
Philippines
Poland
Portugal
Reunion Island
Romania
Russia
Saudi Arabia
Senegal
Singapore
Slovakia
Slovenia
South Africa
Spain
Sri Lanka
St. Lucia
St. Pierre & Miquelon
St. Vincent & The Grenadines
Swaziland
Sweden
Switzerland
Taiwan
Thailand
Turkey
Uganda
Ukraine
United Arab Emirates
United Kingdom
Uruguay
Vatican City
Venezuela
Western Samoa
Yemen
Yugoslavia
Zimbabwe

142

October 2004
Albania
Algeria
Andorra
Angola
Argentina
Armenia
Aruba
Australia
Austria
Azerbaijan
Bahrain
Bangladesh
Barbados
Belgium
Belize
Bermuda
Bolivia
Bosnia-Hercegovena
Botswana
British Virgin Islands
Brazil
Brunei
Bulgaria
Burkina Faso
Cambodia
Cameroon
Cayman Island
Chile
China
Colombia
Congo, Democratic Republic of
Costa Rica
Croatia
Cyprus
Czech Republic
Denmark
Dominica
Dominican Republic
Ecuador
El Salvador
Equatorial Guinea
Estonia
Finland
France
French Antilles
French Guiana
Gambia
Georgia
Germany
Ghana
Gibraltar
Greece
Greenland
Grenada
Guadeloupe
Guatemala
Guinea PE R R
Haiti
Honduras
Hong Kong
Hungary
Iceland
India
Indonesia
Iran
Ireland
Israel
Italy
Ivory Coast
Jamaica
Japan
Jordan
Kazakhstan
Kenya
Korea, Republic of
Latvia
Lebanon
Libyan APS JA
Liechtenstein
Lithuania
Luxembourg
Macao
Macedonia
Malawi
Malaysia
Mali
Malta
Mauritania
Mauritius
Mayotte Island
Moldova
Monaco
Morocco
Namibia
Netherlands
Netherlands Antilles
New Zealand
Nigeria
Norway
Oman
Pakistan
Panama
Paraguay
Peru
Philippines
Poland
Portugal
Reunion Island
Romania
Russia
Senegal
Sierra Leone
Singapore
Slovak Republic
Slovenia
South Africa
Spain
Sri Lanka
St. Kitts & Nevis
St. Lucia
St. Pierre & Miquelon
St. Vincent & The Grenadines
Sudan
Swaziland
Sweden
Switzerland
Syria
Taiwan
Tanzania
Thailand
Turkey
Uganda
Ukraine
United Kingdom
Uruguay
Uzbekistan
Vatican City
Venezuela
Vietnam
Western Samoa
Yugoslavia
Zimbabwe

153

January 2006
Albania
Algeria
Andorra
Angola
Anguilla
Argentina
Armenia
Aruba
Australia
Austria
Azerbaijan
Bahamas
Bahrain
Barbados
Belarus
Belgium
Belize
Benin
Bermuda
Bolivia
Bosnia-Hercegovena
Botswana
British Virgin Islands
Brazil
Brunei
Bulgaria
Cambodia
Cameroon
Cayman Island
Chile
China
Colombia
Congo, Democratic Republic of
Costa Rica
Croatia
Cyprus
Czech Republic
Denmark
Dominica
Dominican Republic
Ecuador
El Salvador
Estonia
Ethiopia
Finland
France
French Antilles
French Guiana
Gabon Republic
Gambia
Georgia
Germany
Ghana
Gibraltar
Greece
Greenland
Grenada
Guadeloupe
Guatemala
Guinea PE R R
Haiti
Honduras
Hong Kong
Hungary
Iceland
India
Indonesia
Iraq
Ireland
Israel
Italy
Ivory Coast
Jamaica
Japan
Jordan
Kazakhstan
Kenya
Korea, Republic of
Kyrgyzstan
Latvia
Lebanon
Liberia
Libyan APS JA
Liechtenstein
Lithuania
Luxembourg
Macao
Macedonia
Malawi
Malaysia
Mali
Malta
Mauritania
Mayotte Island
Moldova
Monaco
Morocco
Mozambique
Myanmar
Namibia
Netherlands
Netherlands Antilles
New Zealand
Nicaragua
Nigeria
Norway
Oman
Pakistan
Panama
Paraguay
Peru
Philippines
Poland
Portugal
Reunion Island
Romania
Russia
Saudi Arabia
Senegal
Sierra Leone
Singapore
Slovak Republic
Slovenia
South Africa
Spain
Sri Lanka
St. Kitts & Nevis
St. Lucia
St. Pierre & Miquelon
St. Vincent & The Grenadines
Sudan
Swaziland
Sweden
Switzerland
Syria
Taiwan
Tanzania
Thailand
Tunisia
Turkey
Uganda
Ukraine
United Kingdom
Uruguay
Uzbekistan
Vatican City
Venezuela
Vietnam
Western Samoa
Yemen
Yugoslavia
Zimbabwe

2004 MOBILE INCREMENTAL RATE (US CENTS)

	Country	Economic Classification	1997 Fixed BM	1997 Fixed TCP	2004 Fixed R-TCP	A 2004 Fixed Local Rate	B Full Mobile Retail Rate	C (B ÷ 2) - 16% Half Mobile Retail Rate Less Avoided Costs	C-A Mobile Incremental Rate	2004 Mobile R-TCP
1	Argentina	Upper Middle	19.00	32.10	4.25	0.30	8.31	3.49	3.19	7.49
2	Australia	High	15.00	18.70	4.88	1.15	24.47	10.28	9.13	14.19
3	Austria	High	15.00	31.40	4.46	1.47	7.74	3.25	1.78	6.47
4	Bahamas	High	15.00	19.90	3.60	2.53	15.00	6.30	3.77	7.77
5	Barbados	Upper Middle	19.00	12.00	2.18	0.00	22.11	9.29	9.29	11.47
6	Belgium	High	15.00	14.10	3.47	2.12	12.01	5.04	2.92	6.73
7	Bermuda	High	15.00	9.90	6.22	2.53	9.99	4.20	1.67	8.29
8	Brazil	Upper Middle	19.00	27.80	2.21	0.54	11.21	4.71	4.17	6.46
9	Chile	Upper Middle	19.00	18.60	8.40	0.80	15.27	6.41	5.61	14.15
10	Colombia	Lower Middle	19.00	18.50	3.58	1.57	9.98	4.19	2.62	6.46
11	Costa Rica	Lower Middle	19.00	10.30	2.10	0.31	6.73	2.83	2.52	4.66
12	Czech Republic	Upper Middle	19.00	19.00	4.85	1.76	9.22	3.87	2.11	7.25
13	Denmark	High	15.00	14.40	2.64	1.39	10.36	4.35	2.96	5.83
14	Dominican Rep.	Lower Middle	19.00	14.50	3.17	0.00	6.11	2.57	2.57	5.74
15	Ecuador	Lower Middle	19.00	10.30	5.86	1.22	20.00	8.40	7.18	13.23
16	Egypt	Low	23.00	17.20	1.67	0.14	4.07	1.71	1.57	3.27
17	El Salvador	Lower Middle	19.00	11.80	4.24	0.89	8.87	3.73	2.84	7.22
18	France	High	15.00	17.50	2.12	0.83	14.21	5.97	5.14	7.39
19	Germany	High	15.00	19.80	2.70	1.08	14.28	6.00	4.92	7.79
20	Greece	Upper Middle	19.00	23.00	4.20	1.42	19.06	8.01	6.59	11.02
21	Guatemala	Lower Middle	19.00	10.30	3.61	1.17	4.55	1.91	0.74	4.54
22	Guyana	Low	23.00	12.00	3.78	0.04	7.27	3.05	3.01	6.80
23	Haiti	Low/Teledensity < 1	23.00	30.40	6.56	2.53	13.21	5.55	3.02	9.98
24	Honduras	Low	23.00	16.60	4.38	1.04	17.00	7.14	6.10	10.65
25	Hong Kong	High	15.00	7.00	4.38	0.00	6.68	2.81	2.81	7.19
26	Hungary	Upper Middle	19.00	14.40	3.96	1.14	10.01	4.20	3.06	7.21
27	India	Low	23.00	31.20	1.63	0.44	2.62	1.10	0.66	2.36
28	Indonesia	Lower Middle	19.00	35.50	6.56	0.41	20.68	8.69	8.28	14.91
29	Ireland	High	15.00	18.00	2.73	0.83	11.08	4.65	3.82	6.68
30	Israel	High	15.00	8.50	3.84	0.48	7.85	3.30	2.82	6.74
31	Italy	High	15.00	18.20	2.08	1.15	15.84	6.65	5.50	7.77
32	Jamaica	Lower Middle	19.00	8.70	2.14	0.43	6.84	2.87	2.44	4.65
33	Japan	High	15.00	19.70	3.07	1.11	18.20	7.64	6.53	9.78
34	Jordan	Lower Middle	19.00	23.00	4.58	0.61	8.11	3.41	2.80	7.48
35	Kenya	Low/Teledensity <1	23.00	42.60	6.10	0.89	16.53	6.94	6.05	12.30

2004 MOBILE INCREMENTAL RATE (US CENTS)

	Country	Economic Classification	1997 Fixed BM	1997 Fixed TCP	2004 Fixed R-TCP	A 2004 Fixed Local Rate	B Full Mobile Retail Rate	C (B ÷ 2) - 16% Half Mobile Retail Rate Less Avoided Costs	C-A Mobile Incremental Rate	2004 Mobile R-TCP
36	Korea	Upper Middle	19.00	12.80	3.64	0.44	6.92	2.91	2.47	6.18
37	Kuwait	High	15.00	9.00	6.55	0.00	6.66	2.80	2.80	9.35
38	Malaysia	Upper Middle	19.00	22.40	4.71	0.53	11.52	4.84	4.31	9.11
39	Mexico	Upper Middle	19.00	16.80	1.94	0.96	8.60	3.61	2.65	4.74
40	Netherlands	High	15.00	9.80	2.30	1.14	14.56	6.12	4.98	7.46
41	New Zealand	High	15.00	23.80	6.26	0.80	18.64	7.83	7.03	13.42
42	Nicaragua	Low	23.00	12.30	5.39	0.83	21.00	8.82	7.99	13.52
43	Norway	High	15.00	11.60	3.15	1.77	11.60	4.87	3.10	6.54
44	P.R. of China	Low	23.00	17.70	3.71	2.42	10.27	4.31	1.89	6.00
45	Pakistan	Low	23.00	26.70	6.71	0.35	1.74	0.73	0.38	7.14
46	Panama	Lower Middle	19.00	19.40	3.94	1.00	17.00	7.14	6.14	10.24
47	Peru	Lower Middle	19.00	16.10	5.38	1.89	11.65	4.89	3.00	8.69
48	Philippines	Lower Middle	19.00	23.90	5.20	0.00	4.98	2.09	2.09	7.29
49	Poland	Lower Middle	19.00	24.60	4.06	0.66	16.95	7.12	6.46	10.63
50	Portugal	High	15.00	23.90	3.97	1.67	11.31	4.75	3.08	7.32
51	Russia	Lower Middle	19.00	35.40	5.77	0.66	16.00	6.72	6.06	11.94
52	Singapore	High	15.00	7.60	7.17	3.00	6.94	2.91	-0.09	7.56
53	South Africa	Upper Middle	19.00	16.90	5.42	1.52	13.47	5.66	4.14	9.80
54	Spain	High	15.00	18.10	2.42	0.83	16.11	6.77	5.94	8.49
55	Sweden	High	15.00	10.00	4.25	1.71	18.68	7.85	6.14	10.66
56	Switzerland	High	15.00	20.60	4.74	1.81	14.77	6.20	4.39	9.43
57	Taiwan	High	15.00	13.90	1.72	0.30	5.27	2.21	1.91	3.69
58	Thailand	Lower Middle	19.00	17.10	3.34	1.23	19.95	8.38	7.15	10.69
59	Trinidad	Upper Middle	19.00	14.60	3.94	0.38	15.85	6.66	6.28	10.28
60	Turkey	Lower Middle	19.00	17.90	3.99	1.36	20.71	8.70	7.34	11.55
61	U.A.E.	High	15.00	7.70	3.22	0.00	6.94	2.91	2.91	6.14
62	U.K.	High	15.00	13.00	1.58	1.07	10.25	4.31	3.24	4.99
63	Uruguay	Upper Middle	19.00	22.30	1.76	0.66	9.83	4.13	3.47	5.34
64	Venezuela	Lower Middle	19.00	23.80	2.05	0.85	3.13	1.31	0.46	2.65
65	Vietnam	Low	23.00	24.70	7.62	0.20	11.40	4.79	4.59	12.24
	AVERAGE	ALL	18.08	18.33	4.03	0.99	11.97	5.03	4.04	8.23
	AVERAGE	HIGH (15 CENT BM)					12.38	5.20	3.97	7.91
	AVERAGE	UPPER MIDDLE					12.41	5.21	4.41	8.50
	AVERAGE	LOWER MIDDLE					11.90	5.00	4.16	8.39
	AVERAGE	MID AVG (19 CENT BM)					12.12	5.09	4.27	8.44
	AVERAGE	LOW					9.42	3.96	3.27	7.75
	AVERAGE	TELEDENSITY <1					14.87	6.25	4.54	11.14
	AVERAGE	LOW AVG (23 CENT BM)					10.51	4.41	3.53	8.43

CERTIFICATE OF SERVICE

I hereby certify that on this 14th day of January 2005, I caused true and correct copies of the foregoing Comments of AT&T Corp. to be served on all parties by electronic mail to their addresses listed on the attached service list.

Dated: January 14, 2005

/s/ James J. R. Talbot
James J. R. Talbot

SERVICE LIST

Marlene H. Dortch, Secretary*
Federal Communications Commission
445 12th Street, SW
Room CY-B402
Washington, DC 20554

Best Copy and Printing, Inc.**
Federal Communications Commission
445 12th Street, SW
Room CY-B402
Washington, DC 20554
fcc@bcpiweb.com

Francis Gutierrez**
Federal Communications Commission
International Bureau
445 12th Street, SW
Room 7-A623
Washington, DC 20554
Francis.Gutierrez@fcc.gov

Mark Uretsky**
Federal Communications Commission
International Bureau
445 12th Street, SW
Room 7-B521
Washington, DC 20554
Mark.Uretsky@fcc.gov

---

* Filed electronically via ECFS
** Sent via e-mail